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TOPICS OF THE MONTH

THE RESERVE SYSTEM

THE Federal Reserve System is operating in just about the way its friends and supporters expected. It has not opened the door of opportunity to any greater width; it has not made credit any freer through the process of stifling any existing agency; it has not increased foreign trade or made it possible and easy for the man without credit to borrow as much as he would choose. It has provided a safeguard instant in application. It stands as a guaranty that any emergency can be met that banking preparedness can meet. It has, in fact, removed an ever present fear that an inadequate machine would stall if it was asked to haul an unusual load.

There has been little rediscounting. The banks find it easy to meet all demands. The profits of the reserve banks are small accordingly. They are now making some investments. Reserve deposits of \$256,000,000 as a liability item against \$255,000,000 in cash resources mark a capacity to loan beyond any demand immediately foreseeable. Because this reserve is usable the commercial banks feel freer to do business.

A first impression is that this great fund of idle money may account for stock exchange stagnation. It was the intention of the framers of the law to remove from Wall Street's grasp the idle money of the country and so prevent stock speculation. But there is no particular indication that the supply of call loan money does not exceed the demand. There is no stock speculation worth mentioning. But it is not for lack of funds. The habit of corporations in passing dividends and fear that the habit may become fixed is a better explanation.

The stock exchange is, however, answering the very useful purpose of making prices. Anyone who owns a stock certificate knows its value in the open market and how much it is worth as collateral. Beyond that stock exchange operations reflect the condition of general business about as they have done in the past. There will be no exact information as to the influence of the new banking system on stock exchange transactions until there is evinced some general disposition to use the stock exchange for trading purposes.

INVESTIGATING

If close attention to the many details of the work of organizing the new system and painstaking study of conditions to be covered by rules and regulations can make the system a success, success will come. The Federal Reserve Board is working earnestly and intelligently to that end. It may be necessary to make changes in the law in addition to those already suggested and pending. So much depends on the interpretation of the act and the manner in which its provisions are given practical application that confidence in the system depends almost entirely on the manner of proceeding. Confidence in the system is confidence in the Reserve Board.

The Governors of the several reserve banks and the Federal Advisory Council have co-operated with the Reserve Board to the general advantage. A sympathetic relationship has been established which bespeaks a future in which the best banking knowledge and experience will always be available.

It is probably too much to expect that the horizon would be cloudless. There is discernible a growing dis-

appointment that some rather extravagant promises have not been fulfilled. Men without credit have found it as difficult to borrow money as before. The common rules of safety which govern the lending of money are still in force. The financial millenium has not arrived. The control of the new system has not been turned over to the men who had such expectations.

This disappointment has found expression in a resolution promised for introduction by Representative Lindbergh of Minnesota. Mr. Lindbergh repeats an irresponsible and indefinite charge that James B. Forgan and George M. Reynolds have been making selfish use of the Chicago Federal Reserve bank. He wants a committee appointed to make an investigation. The best denial of the allegation of selfish use are the operations of the Chicago bank.

Congressman Lindbergh was the author of the resolution for the investigation of the money trust. He apparently desires a continuation of that work. If there is acquiescence in his proposal there will appear the first indication of lack of confidence in the Federal Reserve Board. An investigation of the reserve bank of Chicago will be an investigation of the Federal Reserve Board. It would be a first attempt to exert political control over a Board which was to be as far removed from politics as possible. The situation is not to be belittled merely because this attempt may fail. It will recur as often as some prairie statesman can produce a grievance. The number of recurrences can be measured by the seriousness of the attention given the Lindbergh resolution.

An investigation of idle charges will not increase confidence in either the system or the Federal Reserve Board. A hostile investigation might result in the destruction of the system by driving the banks out of it

POLITICS OBTRUDES

James B. Forgan, President of the First National Bank of Chicago, director of the Federal Reserve Bank of Chicago and Chairman of the Federal Advisory Council, made it clear that if politics crawled into the reserve bank system it would find his chair vacant. This decision was provoked by an effort of Senator James Hamilton Lewis of Illinois to get jous for Democrats in the reserve bank of Chicago.

Senator Lewis made a discovery which could have been made only by one accustomed to view all employed men as Democrats or Republicans. He discovered that all the officers of the Chicago reserve bank were Republicans. He might have discovered that all the officers of the Dallas reserve bank are Democrats; they may not be, but they probably are, considering the political proclivities in Texas. However, Senator Lewis made the other discovery and acted on it. He saw Governor McDougal. He saw Mr. Forgan. Perhaps he saw others. It isn't important except that it is the first time such an attempt has been made public.

Politics has had a part in the establishment of the Federal Reserve System. This was apparent in the fixing of the district boundaries, as well as in prophetic an-

nouncements about what the new system would do. The latter were not very important, and not very misleading. So far the obtuseness of politics has not been either pronounced or serious. No one has complained that all the members of the Federal Reserve Board are Democrats, nor has it been regarded as a mere chance that they are. There seems to be a firm belief that any attempt to play politics with the system will harm the player; if there is persistence the inevitable result will be to harm the system and remove the achievement of having created it from the list of political assets. No one knows this better than the men charged with the responsibility of making the system a success.

SOUTH AMERICAN TRADE

Statesmen and financiers, representative of South American countries, have been invited to a conference with American leaders in similar fields by Administration officials. The report says that Secretary McAdoo conceived the idea of a conference, and the President and Secretary Bryan gave it impetus. The plan is to have a free discussion of conditions and relations with a view to finding a way to develop inter-American trade. The conference is scheduled to be held in the early spring.

Probably no movement of the kind has had the prospective importance or the happy augury which world conditions give to this one. There has previously, however, been much similar negotiating and there have been many episodes of international agreeableness. There is in existence a Pan-American Union with a Commissioner and a beautiful building. Elihu Root, when Secretary of State, toured South America and was well received and lavishly entertained. Mr. Roosevelt, less officially, made a similar trip. The Illinois Manufacturers' Association sent a large delegation to South America last year. A similar one, of larger proportions and more widely representative, will soon sail from Baltimore. Of such efforts there have been many, and no one can say that the results have been negligible merely because there has been no appreciable increase in South America's trade with this country.

No study of conditions could proceed far, however, before coming to the realization that South America has trade with Europe because Europe has financed South America. It has seemed to be not merely a matter of Europe's manufacturers subscribing to the credit desires and trade customs of South America, but Europe's bankers have advanced the funds necessary to the upbuilding and development of a new country, rich in resources, but without capital. South America has looked to Europe for capital, and it naturally went to Europe to make its purchases. This country has had no participation, comparatively speaking, because capital requirements at home exceeded the supply. So, despite the diplomatic negotiating, the exchange of friendly visits and the general conversations, there was no noticeable change in trade customs and relations.

The war has impaired Europe's capacity to supply capital. It has all but destroyed Europe's ability to

furnish commodities. South America will naturally have to make considerable purchases elsewhere. However, South America, with its source of capital supply cut off, is poor.

In the beginning of the war Americans seemed to see only the continuation of South America's needs and the destruction of its source of supply. Here was a great market with practically no competition. There were numerous barriers. The matter of transportation was one. Banking facilities, credit terms, and explicit information as to the demand were others. But, primarily, there was the lack of financial relationship. This all but primal need seems to have been supplied in some measure at least by the National City Bank, which has opened branches in South America. This bank is not only getting itself into a position to give directly the credit facilities which were previously obtainable only through London, but it has begun the process of supplying capital by loaning Argentine \$15,000,000.

This one concrete act will bring a direct financial relationship which could not be attained by an endless succession of conferences. This country must aid in the development of South America if it would share in the trade of South America. The situation is different only in its physical aspects from thousands of domestic processes of development undertaken by capital for profit. But, in this instance, advantage will be had from the misfortunes of those with whom the supporters of the new enterprises would otherwise have to compete.

There may be many conferences, many visits back and forth, and all the other accompaniments and refinements of diplomatic and governmental intercourse, but until South American securities are freely bought in the United States, South American trade will have no fixity.

RESERVE DISTRICT BOUNDARIES

Hearings on the boundaries of the districts as fixed by the Federal Reserve Organization Committee have been begun. The objections of Pittsburgh, New Orleans and Baltimore to the selection of Cleveland, Atlanta and Richmond as reserve bank cities will also be heard.

There is little doubt that some changes will be made in the boundary lines and as little that there will be no changes in the cities. Attaching northern New Jersey, which is part of New York's manufacturing district, to Philadelphia was plainly a blunder. The protests have been vigorous. Western Connecticut, placed in the Boston district, as obviously belongs to New York. If the boundaries are allowed to stand in these instances, the new banking system will be more restricted than will trade.

The boundary which divides Wisconsin between the Chicago and Minneapolis districts was drawn in reference to those cities, and Milwaukee was ignored. As the metropolis of Wisconsin, Milwaukee has a field in which it is dominant and trade channels would be turned awry if the drawing of an arbitrary line could do it. As it is, in this as in the other cases, trade will ignore

the line drawn and proceed as formerly despite the handicap.

Omaha wishes to be in the Chicago district for the expressed reason that its trade currents flow in that direction and not toward Kansas City. As one Omaha man put it, "It's the Missouri River, not trade, that runs from here to Kansas City."

The Baltimore-Richmond and the New Orleans-Atlanta contests have many angles. Readjustment of the boundaries is not unlikely. It is also not unlikely that branch banks will be established in Baltimore and New Orleans. Under the reserve act "each Federal Reserve Bank shall establish branch banks within the Federal reserve district in which it is located," and "such branches shall be operated by a board of directors under rules and regulations approved by the Federal Reserve Board."

A peaceful ending of the contests will depend in large measure on the kind of rules and regulations for branch banks approved by the Board.

THE COMPTROLLER OF THE CURRENCY

In his annual report the Comptroller of the Currency suggests an amendment to the banking law whereby he would secure the power to penalize, by the imposition of appropriate fines, all infractions and violations of the law and the regulations of his office. He also urges an amendment giving the Comptroller, with the approval of the Secretary of the Treasury, the power to require the removal of any bank director or officer guilty of a violation of any of the more important provisions of the national bank act.

The Comptroller's report gives in the list of abuses and violations excessive loans, overdrafts, excessive borrowing, investment of funds in unauthorized securities, charging usurious rates of interest, unlawful loans on real estate, excessive loans to officers, clerks and others through "dummies," loaning directly or indirectly on the bank's own stock, false statements by bank officers, etc.

There can be no apology for any of the offenses mentioned, but there can be questions as to whether an act constitutes an offense and the means of determining whether it is or is not an offense. A sweeping accusation that banks were hoarding was recently followed by specific allegations of the same nature against particular banks. Investigation and examination failed not only to disclose ground for the general charge, but in the case of many of the banks named it was shown pretty conclusively that the accusations were baseless and unjustified. The instance is conspicuous only because of its notoriety.

It is not enough to counsel against the wisdom of reposing in a public official the power to determine whether the rate of interest charged is fair or unfair, usurious or not usurious. Such a preposterous proposal for the lodgment of power demands vigorous opposition. If there were no question of the official possession of the refinement of wisdom necessary to judge rightly, opposition would still be justified. This country has

been so wedded to its system of independent, competitive banking that it has been willing to sacrifice some measure of efficiency for its sake. Such was the opposition to concentration of resources, or what was politically termed the centralization of power, that resort was had in the reserve act to the doubtful expedient of twelve reserve banks instead of one or three or four. This was done in the face of economic judgment and actual experience. Yet here comes a suggestion to give a potential control which would enlarge the opportunity for political manipulation a hundred times.

The suggestion is the less pertinent in view of the fact that long study, agitation and discussion resulted in the creation of the Federal Reserve Board as the medium through which appropriate regulation of the national banking system was to be achieved. This Board is composed of five men chosen because of their possession of particular qualifications for the work. The law provides for their selection from classes of business men, and only two may be men of banking connections and experience. As a matter of courtesy and for purposes of bringing the government's financial department into harmonious relation with the regulating commission, the Secretary of the Treasury was made a member ex-officio. No plan was ever framed that ignored the need of having the Secretary of the Treasury closely associated with the directing board. But the discussion of a new banking system had gone on for some years before there was suggestion that the office of Comptroller of the Currency be given new dignities. The Comptroller had always been a bureau chief in the Treasury Department. When the question of a new banking system had developed to a point where its practical application demanded attention, it was found that the records of the Comptroller's office were necessary to the operations of the directing board given charge of the system. The duties legally performed by the Comptroller coincided at many points with the functions proposed for the Board. The problem was solved by making the Comptroller ex-officio a member of the Board not because of any special benefit to be derived from his membership, but that the Board might not be inconvenienced by having his records made difficult of access.

If it were necessary to confer the powers suggested in the Comptroller's report at all, they should be conferred on the Federal Reserve Board. It is not in accord with the spirit of the new banking scheme to increase the powers of subordinate and obsolescent officials. In fact, a proper amendment to existing law would be to abolish the office of Comptroller and turn the work over to the Federal Reserve Board.

A STATE RESERVE SYSTEM

During the month there has been revived the question of establishing in New York a State reserve bank along the lines of the Federal Reserve System. It is an outcome of the discussion over the admission of State banks to the Federal System. The state institutions have not yet found that the advantages of membership outweigh the disadvantages, but the latter are suffi-

ciently pronounced to cause discussion of a substitute or collateral system which would nullify them. The discussion is probably premature. The Federal Reserve System is as yet little more than a legislative achievement. It has possibilities of development within the law and the law has similar potentialities. When the system has ceased bouncing, and has come to rest, other banking ventures may be considered with greater assurance.

AN INDEPENDENT ORGANIZATION

An examination of the Federal Reserve Act and consideration of its provisions in relation to the history of the legislation resulted in an opinion from the Attorney General of the United States that the Federal Reserve Board is an independent organization and not a bureau or attachment of the Treasury Department.

The only surprising feature of the episode is that the Attorney General's opinion should have been officially requested on the subject.

THE STATE BANKS

The entrance of State banks into the Federal Reserve System is still the subject of discussion. The State banks are in doubt as to the advantages they would gain, and they fear they would have to surrender some which they prize. They dislike the idea of excessive examinations, although this objection can be met and the impediment easily removed. The chief contention, however, is neither of these, nor that being in the system they cannot get out without going into liquidation; it rests on the probable instability of the rules and regulations governing their admission to the system and their operations under it. While the term of the appointed members of the board is ten years, a President will have opportunity during his term to choose a majority of the members of the Board. The rules and regulations could be changed because no Board can guarantee the permanence of those it makes. It is improbable that hampering or specially obnoxious rules would ever be made, but the objection is nevertheless sound.

A. B. A. MEMBERSHIP FOR RESERVE BANKS

The question of the membership of the Federal Reserve Banks in the American Bankers Association has been settled. The privileges of membership were asked by some of the banks shortly after they were established. They desired the use of the telegraphic code and the advantages of the protective department especially. As a matter of courtesy the code was supplied pending a decision of the question by the Federal Reserve Board to which it was referred.

After consideration of the question the Board decided that there was no objection to the reserve banks having honorary membership in bankers' associations provided that there was no active participation on the part of representatives of the reserve banks in the conduct of association affairs, or any office holding. It was

suggested that such membership might be entitled honorary or special, but, in any case, should be in compliance with the Board's injunction against active participation or office holding.

The constitution of the American Bankers Association contains no provision for such membership. The matter was referred to the General Counsel, who found no reason why the reserve banks could not join under the present constitution without trespass on the recommendations of the Board. "Such recommendation," he said, "is simply that they shall not actively participate in the management of the association, and this is a matter entirely between the Board and the Federal

Reserve Banks. The Board, having so recommended, it is open to the Federal Reserve Banks to become members under the present constitution and simply abstain from active participation in the affairs of the association as recommended by the Board."

The General Counsel further suggested that at the next annual convention the Executive Council might recommend and the convention adopt an appropriate amendment in order that the position of the reserve banks might be more clearly fixed.

The reserve banks have been invited to join the American Bankers Association.



THE TAX AGAINST PROMISSORY NOTES SEEMS NOT TO APPLY TO ACCEPTED TIME DRAFTS

\$100 Dec. 14, 1914.

At three days sight pay to the order of the Institute National Bank of New York One hundred dollars. Value received and charge the same to the account of J. H. Graham.

To E. H. Jones,
320 Broadway, N. Y.

\$100 Dec. 14, 1914.

Sixty days after date pay to the order of the Institute National Bank of New York One hundred dollars. Value received and charge the same to the account of J. H. Graham.

To E. H. Jones,
320 Broadway, N. Y.

\$100

Dec. 14, 1914.

On April 14, 1915 pay to the order of the Institute National Bank of New York One hundred dollars.

Value received and charge the same to the account of

J. H. Graham.

To E. H. Jones,
320 Broadway, N. Y.

With appropriate dating and signatures signifying acceptance by E. H. Jones these are forms of accepted sight and time drafts. On December 14 J. B. Birmingham, Manager of the Collection Department of the Citizens Central National Bank, New York, submitted the three to an official in the office of the Internal Revenue Collector in New York and was informed that no documentary stamp was required on any of the forms submitted.

The provisions of the section of the war revenue act effective December 1 last require that promissory notes and all renewals of the same shall have affixed documentary stamps at the rate of two cents for each one hundred dollars or fraction thereof. These accepted drafts, Mr. Birmingham was told, do not come under the head of promissory notes. It was further stated that sight drafts and time drafts are so much in general use, and play such a large part in commercial transactions that the framers of the law would have designated them by name had they intended that the tax should apply to such items. It is conceded by the revenue official that these accepted time drafts were discountable and could be used in place of promissory notes.

As an example, suppose that E. H. Jones is a firm name and J. H. Graham is one of the partners. Graham draws the draft on Jones who accepts it, and it is then discounted at their bank, possibly the same bank where it is payable at maturity. What has happened? There is nothing different in the procedure or in the liability from that which attends the discounting of a Jones note which bears the indorsement of Graham, except that the documentary stamp required on the note at the rate of \$1 for each \$5,000 is not necessary in the case of an accepted time draft.

The Government imposes these taxes for the purpose of increasing its revenues. Of course it is not the part of good citizenship to try to evade the law or contribute to increasing the bulk of the treasury deficit, but it is not impossible that banks may be asked to discount more accepted time drafts in the future than they have in the past.

HEADQUARTERS IN SEATTLE FOR 1915

Headquarters for the 1915 convention of the American Bankers Association were opened December 23 last in Room 1307, Hoge Building. Fendley Dickinson, the convention secretary, is in charge. Mr. Dickinson was secretary of the Hotel Committee at Richmond and his work was so efficient that his services were obtained for Seattle.

A tentative date for the convention's opening has been fixed for Monday, September 13, 1915, but the exact date will depend on the joint decision of the Seattle

Clearing House Association and the Executive Council. James D. Hoge, president of the Union Trust & Savings Bank, Seattle, is a member of the Executive Council, and he has given free use of the office in the Hoge Building. The members of the Hotel Committee are James T. McVay, vice-president and cashier of the Metropolitan Bank, chairman; R. H. McMichael, manager bond department, Dexter Horton National Bank, and Rollin Sanford, assistant cashier of the Union Trust & Savings Bank.

Applications for hotel accommodations have already been received in large numbers and the Seattle committee expects a record attendance.

Clearing Functions of the Reserve Banks in Theory and in Practice

A Discussion of Check Collection as a Natural Development of the New Banking System—Many Erroneous Ideas are Current and Many of the Objections are Based on an Assumed Decrease of Profits—The Matter is Much More Simple than Many Suppose—Change in Methods is Abhorrent to Many Bankers.

By O. Howard Wolfe.

A special committee of Governors of the Federal Reserve banks is at present preparing a plan under which the check collection provisions of the Act may be put in practical operation. There seems to exist a pretty general lack of understanding of the true intent and meaning of the paragraphs in the Federal Reserve Act bearing upon the subject. An erroneous idea is current that these provisions of the Act were framed in an arbitrary manner and the interpretation of terms must depend upon personal opinion not altogether free of prejudice. This feeling is strengthened, perhaps, by the very fact that because nothing definite has been announced by the Reserve Board it may be supposed that no one in authority knows what may be done.

Another extreme view is that every step in the development of the reserve banks has been planned and decided upon and that someone, if he would, could announce now each step that will be taken for the next ten years. There is a disposition to overlook the human element and to think in terms of machinery. Given a problem—check collection for instance—put it into the machine, the Reserve Board, turn the crank, and out will come the answer.

Between these two extremes of thought is the true situation. There is nothing arbitrary or complicated about check collection as it is contemplated. The committee referred to is charged with the preparation of a plan of clearing among the Regional banks and in addition, will, no doubt, give some thought to the practical operations necessary. Pending the report, which the Reserve Board may either adopt or reject, the subject may be discussed in a general way with some interest and perhaps profit.

Aspects of Check Collection.

As we have had occasion to point out at various times, the general tendency is to treat of the check collection problem as a local question or as a controversy between country and city banks over exchange charges. Since the Federal Reserve Act became law we have heard very little from bankers as to whether the operation of the check collection provisions would be of benefit to the public. We have heard much, however, as to the benefits—or lack of them—that will accrue to the banks. If we would seek to throw any light on the problem, we must free ourselves of all bias and look at it first as a matter of general public concern and afterward as one in which the banker is vitally interested. We can then

better understand the provisions in the Act and venture an opinion as to whether or not they are practicable. In short, there are three points of view; three parties interested. The business public, the banks and the Federal Reserve banks.

Views of Raymond B. Cox.

In an address upon "Needed Reforms in Check Collection Laws and Methods," before the Clearing House Section meeting in Boston last year, Raymond B. Cox said:

It is an economic truth that commerce and trade depending for its existence upon exchange will find a medium of exchange whether or not one is provided by the government under which the exchange of commodities is effected. Thus we find shells and beads performing the functions of a medium among primitive peoples. In Colonial days, when there had been little specie imported to the newly discovered country, skins of animals, tobacco and other forms of wealth supplied the deficiency, not through any legislative statute, but in obedience to natural law which knows no rule save the law of necessity.

The operation of this law of economic necessity is well illustrated in the evolution of our chief circulating medium during the period between 1865 and 1875. When the National Bank Act put an end to the issue of notes by individual banks, we were left without a medium that would respond readily to the demands of trade. Obedient to the economic law of necessity, something else was substituted that performed the functions of the more elastic State bank notes which had been discontinued. The instrument employed was the bank check, not new in itself, but new in the sense that it took on an increased importance from that day, an importance that has steadily increased to the present time, until now more than 90 per cent. of payments are made by check.

This development has been due not only to the need of some such medium as has been suggested, but also to the fact that the check is superior in many ways to the true bank note which it so closely resembles in use. It is better adapted to the service of the people and to our independent system of more than twenty-five thousand banks. People are encouraged to open bank accounts and make use of checks, who would never carry such accounts otherwise. Thrift is thus encouraged and millions of dollars are turned into productive channels instead of being allowed to lie idle. We have educated the people to carry check books rather than wallets. While the amount of profit resulting to the banks is not entirely tangible, it can be appreciated even by the most shallow observer of financial conditions. It is hard to see how the business public could very well get along without the check, and bankers of to-day would not think of doing otherwise than encouraging the use of checks to the fullest possible extent.

Uniform System of Domestic Exchange.

Precisely the same line of thought was followed by H. Parker Willis, now Secretary of the Federal Reserve Board and the author of the Act, in speaking extemporaneously and unofficially before the Clearing House Section meeting at Richmond. Dr. Willis said:

In a general way what has always seemed to me necessary was that, so far as possible, a more uniform system of domestic exchange should be established in the United States. The bank-note currency that we have had in the past half-century is uniform and not subject to any depreciation or charge in any part of the country. I have always thought that the check

was the modern representative of the bank notes; that is, whereas fifty or seventy-five years ago the note constituted the principal part of the bank's liability, to-day we have changed all that, partly because of the fact that note issue was difficult and unsatisfactory in this country. But we have never up to this time attempted the same standardization and uniformization that has been so carefully provided in every note-issue system of the past.

Can that be done? That is to-day can the check be placed upon somewhat the same basis as the notes, so that the bank's credit, which it lends or sells, will be equally recognizable and equally acceptable everywhere?

I do not mean, of course, that it will be given away, but that it will be subject to the same conditions of recognizability, uniformity of charge and cost in one place, other things being equal, that it is in others. That was the idea in mind in drafting the Federal Reserve Act—to attain that degree of uniformity.

Bank Checks and Bank Notes.

It is inconceivable that we will ever return to what may be termed the note-liability method of issuing credit exchange media as against the present well-developed deposit-and-check method. In short, we may accept the proposition that the bank check will continue to perform the function of the bank note in this country. Fifty years' experience with checks has clearly demonstrated that they are governed by the same economic laws that affect bank notes. We need mention only two of the most important. Bank notes are not an effective medium of exchange unless they can be redeemed or used at par value, and they will not circulate at par unless a place of redemption is provided for them at a known centre in addition to the counter of the issuing or paying bank. Applying these principles to the check, the parallel in the first case is too well recognized to require any comment.

That checks should be redeemable or payable at a centre is indicated by the natural development of collection centres in every section of the country. The mechanical problems involved as well as ordinary expediency require that checks must be concentrated and then distributed to the ultimate place of collection. Even the very largest banks with their most modern equipment and enjoying every facility imaginable cannot possibly send every out-of-town check received by them direct to the bank or even place of payment. The need for concentration of items grows as you increase the distance from the collecting bank. The smaller the bank, the more obvious is the fact that it must concentrate its items; indeed, it is the usual condition that banks having \$50,000 of capital or less lump all their items in one letter addressed to their reserve agents.

Economic Laws Rule.

Thus we see with respect to both checks and bank notes there are similar economic and business laws that cannot be controverted. To the extent that our present methods of collection do not conform with these fundamentals, to that extent is our banking system inefficient and unscientific. To charge, as some bankers have, that the proposition to clear checks at par is the fanatical or utopian idea of a few theorists or the result of the antipathy of the city banker to exchange charges, is absurd on its face. As well might a syndicate of coal dealers charge that water pours over Niagara Falls in the interests of a few

electrical plants and they would, therefore, propose an act of legislation to suspend the law of gravity in western New York State!

Sound Doctrine in Reserve Act.

Refer to the check collection provisions of the Federal Reserve Act and you will see how closely they comply with sound doctrine. Section 13 provides that Federal Reserve banks may receive on deposit checks and drafts drawn upon solvent members. Note the word "may." It is the evident intent to give the reserve banks the right not only to fix the time when they are prepared to receive these items, but also the right is reserved to use ordinary common sense in refusing to accept certain items that would better be collected directly between member banks. For instance, it would be a violation of good banking practice if the Federal Reserve Bank of Philadelphia were required by law to accept on deposit from member banks in Jersey City checks drawn upon members in Newark. Similarly, it is better for a member bank in the same city as the reserve bank to collect items on another local member bank through the clearing house than to deposit them with the reserve bank. Many details like these can and will be satisfactorily adjusted by trained transit men in the reserve banks without doing violence either to the letter or spirit of the Act.

Facilities of Presentation and Redemption.

Assuming now that the reserve bank is ready and able to receive deposits of member checks and does so under the power granted in Section 13, we turn to Section 16 and find that it shall receive these items at par. We note that the Reserve Board may require each reserve bank to exercise the functions of a clearing house for its members. The significance of this provision is that the items deposited are to be cleared against the balances of member banks. The result will be that member bank checks will be provided with facilities of presentation and redemption that have been shown to be necessary if they are to be of efficient service to the public. They will have a known value and will have a place of concentration and redemption in addition to the counter of the paying bank. What effect this may have upon member banks and upon the reserve banks we shall see further.

Exchange Charges a "Common Nuisance."

In general there are two objections in banking circles that the reserve banks should undertake to collect checks and at par. In the one case, country bankers object because they feel that they will lose an item of income of considerable importance, and in the other case city bankers, while not making the open fight as in the case with country bankers, are not anxious to see the reserve banks begin clearing because it will reduce the amount of balances kept with them by country bankers. We need not at this time embark upon a discussion on the merits of the exchange charge. Sophistry of endless variety has been used by many banks to show the justice of present exchange rates and methods of applying them. It is small wonder the New York "Times," in an editorial, referred to exchange charges recently as a "common nuisance." That is what the public thinks about

them not so much because the charges are made, but because they are exacted in such an arbitrary and illogical fashion. Granting, for argument's sake, that 1/8 of 1 per cent. is a proper charge for a bank in Arkansas to impose for remitting in payment of a check drawn upon itself—the rate being an arbitrary figure and having nothing to do with the cost of shipping currency—then 1/8 of 1 per cent. is a correct and proper charge for every other bank in the United States. Now the principal reason some banks are able to boast of their profits in exchange charges is because other banks remit at lower rates or at par. Some bankers have complained that the provisions of the Reserve Act will work a hardship on them in that it will "rob" them of 25 per cent. of their profits. There could scarcely be better reason to reform our check collection system than that any bank should be able to state that it is paying all its running expenses out of exchange charged for remitting for its own items—unless the charge is paid by the party for whom remittance is made rather than the party to whom the money is sent.

Quoting further from Mr. Cox's address:

Unfortunately, however, in the rapid development of the check system, banks have utilized the check to a gradually increasing extent for their own advantage, so that now its original function has disappeared from the minds of bankers and they consider only its collection, and this as a means of enlarging their business or of enhancing their profits. This perversion of the true purpose of the check has been further augmented and complicated by the lack of definite and uniform State or National laws governing its increasing use in this country. In other words, both practice and law operate to hamper its rapid passage from payee to paying bank. As a result of this hopelessly confused condition bankers are confronted with the problem of first reorganizing their own practice and of then securing from the courts a code of statute laws which will be specifically drawn for the check and which will similarly apply thereto throughout the Nation, as checks are sent from every State into every other State.

Actual Expense May Be Charged.

It may be assumed that those bankers who now object, would be entirely willing to have "their own practice reorganized" by the Federal Reserve Act if it can be done without any great loss of income. What has the Act to say on this point? "Nothing herein contained shall be construed as prohibiting a member bank from charging its actual expense incurred in collecting and remitting funds, or for exchange sold to its patrons." Legitimate expenses properly chargeable under this provision were discussed at length in the last issue of the JOURNAL-BULLETIN. It was pointed out that many services which banks now render gratis may legally be made subject to charge. Further, the Act permits member banks to charge the drawers for expenses incurred in meeting the checks drawn upon the member and cleared against them by the reserve bank.

At this point we are confronted with what appears to be a very just objection on the part of the banker that he must redeem his checks at the reserve bank without any knowledge as to what amounts will be charged against him. The argument is not formidable. In the first place, he will ultimately be given the opportunity to create and maintain this balance at par by depositing the greater part, if not all, his member checks with the reserve bank which

should act as an offset. But suppose his deposits are not sufficient to do this? Is it not proper to ask whose fault it is that these checks are presented at Chicago, let us say, instead of at the counter of his bank in Sioux City? Every bank that accepts a checking account from a depositor virtually if not actually agrees to permit that depositor to send his checks, and in any amount, where he will. The controversy then arises between the bank and its customer and not between the member and the reserve bank. Least of all should there be any quarrel with the Federal Reserve Act, which recognizes the check for what it is and, therefore, complies with natural laws over which it has no control whatever.

Bankers Not of One Mind.

It must not be inferred that all bankers are of one mind in opposing the proposed charges. Fortunately, there are many who have recognized the deficiencies in our past methods and have foreseen what would eventually happen. A letter from a banker in Kansas City, where modern methods have long been in operation, sums up the situation in a single paragraph. He writes:

"It is extremely interesting to watch the developments, and to observe how the average banker resists the slightest change in his methods. However, we are hopeful that the collection system will ultimately prove a benefit to all bankers."

There are many bankers, both city and country, who are anxious to have the reserve banks begin clearing operations because it will give them a service in return for the balances which they are now carrying with their reserve banks. The conviction is growing that the check collection functions of the reserve system can be made the most used and the most valuable of all the facilities provided by the regional banks. The most distressing feature of the panic of 1907, which was notably a currency panic, was the breaking down of our check collection machinery. The result was that we could not use the very instrument that our business habits had taught us to look to for relief. Exception must be mentioned with respect to those sections where country checks were provided with facilities of collection through the clearing house as in Boston and Kansas City. The prediction may be made that a free and general system of check clearing will be found to be as important a factor in the solution of our currency problems as the issue of Federal Reserve notes. On the basis of present statistics the one affects 95 per cent. of our medium of exchange, bank checks, and the other is concerned with the remaining 5 per cent.

Clearing Checks Not So Difficult.

While we can speak with less assurance of the case of the reserve banks pending the report of the Governor's committee, we can at least view their problem as one of a practical nature. In the first place, it may be said that the clearing of checks is not nearly so difficult a matter as more or less inspired "authorities" would have us believe. It is as simple as the offsetting of debits with credits. It will be remembered that the wise and conservative bankers of London balked at that suggestion in 1773, but their young men finally convinced them it could be done. The London Clearing House was the result.

Functions of Clearing House.

Giving the reserve banks the power to put in operation the "functions of a clearing house" opens the way to the easiest possible method of handling checks both with respect to the mechanical as well as the accounting problems involved. The keystone in the arch is the clearing house that may be provided for the reserve banks themselves. If this is provided for, by the deposit of a clearing fund, say at Washington, by the mere transfer of gold from the custody of the Treasury Department into the custody of the Federal Reserve Clearing House and credit given the various reserve banks as if the deposit were actually made with them, the plan already formulated by the Preliminary Committee on Organization, or a similar plan, could be rapidly developed. Quoting from the report of that committee:

"It is one of the primary functions of banking and the purpose of all clearing houses to make full use of the 'clearing principle,' which is the offsetting of debits with credits, to effect settlements by book transfers, and to use such credit instruments as checks and drafts, thus reducing to a minimum the handling of actual currency. The primary object of the plan here presented is to use the machinery of the Federal reserve system to make the enormous domestic exchange business of the country clear itself, the balances of the entire nation being finally focused and cleared by a simple operation on the books of the Federal Reserve Clearing House."

The fluctuations of trade giving rise to exchange inequalities cannot be artificially controlled but the necessary movements of currency can be restricted to a minimum.

Plan Has Been Worked Out.

We cannot here go into details in describing the plan that has been suggested, but it provides for every practical detail and condition that may be anticipated. The burden of cost falls where it properly belongs. From that cost is eliminated every unnecessary expense incidental to our present clumsy system. The Federal reserve banks assess the charges incidental to the work of clearing against the members upon whom the checks are drawn. This explains the apparent contradiction in the Act which states that checks may be deposited by members at par and then provides for clearing charges to be imposed by the reserve banks.

There has been much groundless anxiety over the "burden" of outstanding items which the reserve banks will be expected to carry. It is odd how difficult it is to down the senseless idea that a bank suffers a loss of interest on items while in process of collection. There is no difference of opinion on the statement that it is poor banking to pay interest on that part of a balance represented by outstanding items. It is not only crude banking but it is poor business. The same is to be said of allowing depositors to draw against uncollected funds. Since in calculating net deposits against which reserve is to be held, the amount outstanding is first deducted, it cannot be said that anybody suffers any loss in interest except the depositor who deposits the out-of-town checks originally.

Parallel Collection Systems.

After all has been said, however, we must admit that we are far from the transit check millennium. The difficulty arises out of the fact that we will have the parallel collection system of the non-member bank. This offers no serious difficulties in the sense of competition since the reserve banks are in position to achieve the greatest efficiency at the minimum cost, but the practical situation is that out of every hundred checks which a member bank receives on deposit, it can collect only forty through the reserve bank. This condition hampers both National and State institutions without having any compensating advantages to either. The suggestion has even been made that the reserve banks defer the clearing of checks until either a majority of State banks enroll or else the reserve banks are permitted to receive non-member checks on deposit even if at a charge. The system of transfers that would be possible without the use of checks at all is handicapped to the extent that we have the two classes of banks in the country. If all banks were members of the reserve system, and subject to its provisions, it would not be difficult to enforce the regulations covering charges for services rendered bank customers. Banks do more things free of charge than any other line of business. The loss of exchange charges would be more than restored and properly so if banks as a unit would charge "for the collection of funds" only, as they may do under the new act. We do not believe the business public would object to paying legitimate charges for efficient collection service. The public is being taxed now both directly and indirectly in an unsystematic way for a service that always has broken down when most needed and worst of all, the wrong man pays the bill. That is the situation crying for adjustment. But so long as either the bank or the business man can continue what may be characterized as incorrect or unscientific methods under another system of banking, so long will it be virtually impossible to do much reforming.

Check a Uniform Instrument.

Is it not a peculiarly illogical condition from the political viewpoint that banks are prevented by law from competing with each other—as is the case under our National and State systems—when we have just added to our statutes a law that seeks to compel banking competition? But even after all banks, or at least all commercial banks, are on an even footing as members of the reserve system, as we hope they soon may be, we will not then have achieved Utopia. The check must one day be a uniform instrument, safeguarded in its preparation so that it cannot easily fall into criminal hands; an overdraft will be a felony; endorsements will be limited as is the case with the postal money-order; due diligence will consist in collecting it through the reserve banks, and the expense of its collection will be borne by the man who enjoys the facility of its use, the drawer.

Let us have faith in that day, and its coming, and have the courage to work for it. The Federal Reserve Act is only the first step, but it is in the right direction.

The New Fidelity Bond Compiled by the Association's Insurance Committee

It is a Contract of Insurance, Not of Suretyship, and Has Been Much Simplified—Adopted Only After Exhaustive Study and Discussion—Approved by Lawyers, Insurance Commissioners and Thirty-three Companies Have Been Licensed to Issue It.

Among the most important and far-reaching results of the work of the Insurance Committee of the American Bankers Association is the 1913 copyright Fidelity Bond. This bond was compiled by the committee, and adopted by the Association, after a most careful and exhaustive study of the insurance laws of various States, rulings of insurance commissioners, court decisions, and the insurance situation generally. In form it is very short and concise, eliminating all unnecessary, dangerous, and restrictive conditions that have heretofore appeared in the bond forms offered by the insurance companies, and containing conditions that constitute a wide departure from the limited protection heretofore provided for member banks under this form of insurance.

It is a contract of insurance and not a contract of suretyship. It offers a simple, effective method of adding or deducting employees, and changing the amount of coverage. It makes the insurance company liable for the whole amount of the bond without respect to other insurance that may be carried. It provides payment of salvage first to the bank until the bank's entire claim is satisfied. It provides no short rate return premium, but contemplates a pro-rate return premium for all cancellations. It is continuous in form, requiring no renewal as long as the annual premium is paid, and claim may be made for loss whenever discovered without regard to when the loss actually occurred. It contains a further provision never heretofore appearing in any other insurance contract, viz: the bond constitutes the sole contract between the bank and the insurance company, and no application or outside statement or writing which might be claimed to be an inducement for making the bond, shall be allowed in any way to affect its validity.

The bond has excited the widest discussion and study, and has met the approval not only of the General Counsel of the American Bankers Association, who participated in its compilation, but also of various Commissioners of Insurance, Attorneys for State Bankers' Associations, Attorneys for banks, and officers of banks. Some of these opinions will be found in the report of this Committee to the Executive Council under date of May 1st, 1914.

The following insurance companies, including the leading insurance companies of America, have been licensed to execute this bond upon request:

1. The American Surety Company, New York, N. Y.
2. The Aetna Accident & Liability Company, Hartford, Conn.

3. American Indemnity Company, Galveston, Texas.
4. American Guaranty Company, Columbus, Ohio.
5. Casualty Company of America, New York, N. Y.
6. Dakota Trust Company, Fargo, N. Dak.
7. The Employers' Liability Assurance Corporation, Ltd., London, England.
8. Equitable Surety Company, St. Louis, Mo.
9. The Fidelity & Deposit Company, Baltimore, Md.
10. The Fidelity & Casualty Company, New York, N. Y.
11. The Guarantee Company of North America, Montreal, Canada.
12. Globe Indemnity Company, New York, N. Y.
13. International Fidelity Insurance Company, Jersey City, N. J.
14. Interstate Casualty Company, Birmingham, Ala.
15. Kansas Casualty & Surety Company, Wichita, Kan.
16. Lion Bonding & Surety Company, Omaha, Neb.
17. London & Lancashire Guarantee & Accident Company, Canada.
18. Massachusetts Bonding & Insurance Company, Boston, Mass.
19. Northwestern Trust Company, Grand Forks, N. D.
20. Northern Trust Company, Fargo, N. Dak.
21. New England Casualty Company, Boston, Mass.
22. National Surety Company, New York, N. Y.
23. The Ocean Accident & Guarantee Corporation, Ltd., 59 John street, New York.
24. Royal Indemnity Company, New York, N. Y.
25. Southwestern Surety Insurance Company, Denison, Okla.
26. Southern Surety Company, St. Louis, Mo.
27. Union Safe Deposit & Trust Company, Portland, Me.
28. Western Indemnity Company, Dallas, Texas.
29. The American Fidelity Company, Montpelier, Vt.
30. Bankers Limited Mutual Casualty Company of Wisconsin, Milwaukee, Wis.
31. Maryland Casualty Company, Baltimore, Md.
32. Pacific Coast Casualty Company, San Francisco, Cal.
33. United States Fidelity & Casualty Company, Baltimore, Md.

The rate is \$2.50 per thousand per annum. You are urged to call upon your insurance company for this bond if you are not already using it. If you adopt this form of bond to succeed such forms as have heretofore been furnished you by the insurance companies, we recommend that you read carefully the report of this committee under date of May 1st, 1914, above referred to, and wherever applicable insist upon an endorsement extending the time of loss coverage under the old bond as outlined in the said report.

A new and improved form of burglary and hold-up policy has been compiled by this Committee and adopted by the Association. Printed copies of it have just been received from the press, and a description, together with a further outline of the work of this committee will appear in the columns of the JOURNAL-BULLETIN at an early date.

This Committee has equipped itself to furnish information, opinions, or other insurance service that may be desired, and you are cordially invited to direct any inquiry upon insurance matters, or any request for service, to the Secretary of the Committee, B. A. Ruffin, Box 139, Richmond, Va.

Oliver J. Sands, President, American National Bank, Richmond, Va., Chairman.

H. P. Beckwith, Vice-President, Northern Savings Bank, Fargo, N. Dak.

Henry G. Parker, President, National Bank of New Jersey, New Brunswick, N. J.

B. A. Ruffin, Richmond, Va., Secretary.

Committee.

Rural Credits Legislation and the Report of the Secretary of Agriculture

THE problem of rural credits still stands as one of the most interesting and perplexing that is marked for attempted solution. There have been many investigations of foreign methods, many conventions and discussions, many assumptions and conclusions, and considerable spending, touring and junketing, but no agreement.

The first notable proposal that some European system of farm loaning be transplanted to this country has been abandoned, Europe's farmers and America's have little in common. The country's geographical extent and climatic variation are obstacles no greater than dissimilarity of growth and development. What Mississippi needs or wants might not suit Minnesota. Oklahoma's remedy for presumed bucolic distress would probably be scorned in Ohio. The effort, however has been to frame a law for general application.

So far as there has been any agreement it seems to be on the so-called Bulkley bill. This bill has been approved by a "national conference" of farmers and the Banking and Currency Committee of the House of Representatives. It was supposed that President Wilson favored it. This supposition sickened, if it did not die, when the President said in his recent message that, in his opinion, there was not time enough at the short session to take up the subject. It is also said that the President is opposed to that provision of the bill which requires the Secretary of the Treasury to purchase from the proposed Federal land banks farm loan bonds to an amount not to exceed \$50,000,000 a year.

The Bulkley bill provides for "farm loan associations" to be chartered by the national government. These associations may loan in sums up to \$4,000 on security double in value. The bill also makes provisions for as many land banks as there are Federal reserve districts. These banks will pay cash for the mortgages secured by the farm loan associations and, in turn, exchange the mortgages for farm loan bonds issued by the Government. The interest on the bonds shall be at a rate approved by the Federal Reserve Board but shall not exceed five per cent.

The Federal Reserve Board is given other duties and is empowered:

- (1) To organize and charter Federal land banks.
- (2) To review and alter rates of interest charged by the farm loan associations.
- (3) To authorize the land banks to make specific issues of farm loan bonds and fix the interest rates.
- (4) To appraise farm lands for which purpose the office of Farm Loan Commissioner is created.

The Reserve Board is also supposed to look after other details. The bill seems to offer a not very deft method of utilizing the government's credit to insure a market for the farm loan bonds. Like every other measure that has been given concrete form it provides for loans not to exceed 50 per cent. of the value of the real estate security. It presumes that farmers pay excessive interest rates, that they are discrim-

inated against by lenders and that generally they are a sort of helpless, impoverished horde, or if neither helpless nor impoverished, that they are lying awake nights devising ways to borrow money by mortgage of their real property.

The assumption that farmers are totally unable to borrow against their needs or that they are discriminated against seems not to be borne out by the investigations. Loans against the security of farm property run into the thousands of millions and in Ohio, for instance, of the farms operated by owners only 27.5 per cent. are mortgaged. There are also in Ohio 77,188 farms operated by tenants. No measure yet proposed takes into account the constant increase in the number of tenant farmers. This form of operation seems to have progressed as far in the new states as in the old. Some measure of attaching the people to the soil—of rewarding thrift and industry and gratifying the normal ambition of the tenant to come into title of farm property—would come much nearer to justifying the use of government credit.

It was concluded, however, that President Wilson's statement had postponed rural credits legislation until there came a report that the Bulkley bill would be reported favorably by the committee and placed on passage.

In this report there is an indication of activity on the part of a group of representatives who failed to make impressive certain amendments they offered to the Federal Reserve Act. At the time of the passage of that act Congressman Murray gave notice that he would yield for the present his contention that no financial system would be perfect unless it provided for the direct issue of currency against farm lands—"the best security God Almighty ever created"—but when the rural credits bill came up, he would insist on such a provision.

Congressman Murray is an adept in insisting and he is by no means an unsupported advocate of squash and pumpkin currency. He has many aiders and abettors. Their determination, despite the defeat of Representative Henry's cotton plan, may have had its influence with the President.

In any event it is plain that the problem of rural credits requires much more investigation and much more study of the investigations that have been already made. It requires less enthusiasm, less indiscriminate jumping at conclusions, less political color and fewer panacean attributes. It requires more such elucidation as is found in the annual report of the Secretary of Agriculture which follows:

Rural Credits.

Closely related to production and distribution of farm products is the securing of capital by farmers on better terms. This problem has attracted the profound attention of the country and still awaits a full solution. The difficulties arise partly from the dif-

fusion and sparseness of the rural population, partly from the failure of proper business adjustment, and partly from the inadequacy of the security which part of the farming population normally can offer for loans. The problem is one of extending the banking machinery and facilities more intimately into the country districts for the convenience and the assistance of the rural population and of the effective mobilization and utilization of the resources of the country people themselves.

The chief difference of opinion arises over whether there should be special aid furnished by the Government. There seems to be no emergency which requires or justifies Government assistance to the farmers directly through the use of the Government cash or the Government's credit. The American farmer is sturdy, independent, and self-reliant. He is not in the condition of serfdom or semi-serfdom in which were some of the European peoples, for whom government aid was extended in some form or other during the last century. He is not in the condition of many of the Irish farmers for whom encouragement and aid have been furnished through the land-purchase act. As a matter of fact, the American farmers are more prosperous than any other farming class in the world. As a class they are certainly as prosperous as any other great section of the people; as prosperous as the merchants, the teachers, the clerks, or the mechanics. It is necessary only that the Government, so far as geographic and physical conditions permit, provide machinery for the benefit of the agricultural classes as satisfactory as that provided for any other class, and this the Government has attempted and is attempting to do.

It is the judgment of the best students of economic conditions here that there is needed to supplement existing agencies a proper land-mortgage banking system operating through private funds, just as other banking institutions operate, and this judgment is shared by the leaders of economic thought abroad. The national banking system up to the present time has labored under restrictions imposed by law which made it impossible for the national banks to solve the problems in the most effective way. State banks with fewer restrictions, with smaller capital requirements, and ability to lend on real estate have established more intimate touch and have perhaps rendered greater assistance. Likewise certain agencies, such as building and loan associations, insurance and mortgage debenture companies, and the cooperative credit associations recently created by State legislation in Texas, Massachusetts, New York, and Wisconsin, operate to extend capital to the farming districts, and thereby in a measure tend to cut down the rate of interest.

When the national banking law, commonly called the Federal reserve act, was under discussion in Congress the matter of farm credits was considered and debated, but it was decided that the subject as a specific program should be separately dealt with in another act. The Federal reserve act was passed with a view to the improvement of the banking conditions of the country in the interest of all classes; to the restoration of normality in banking; to the establishment of a reserve or banking power which could be utilized in times of emergency; and therefore with a view to secure good banking at all times and to

prevent panics. It is not a banker's law or a business man's law or a manufacturer's law or a farmer's law; it is a law for all classes—for all the people. However, there were incorporated into the act several very important provisions which had in mind specifically the needs of the farming classes and the possibility of extending banking facilities to the rural districts.

It was specifically provided that a Federal reserve bank might "discount notes, drafts, and bills of exchange arising out of actual commercial transactions—that is, notes, drafts, and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes, or the proceeds of which have been used or are to be used for such purposes." The Federal Reserve Board was given the right to define the character of paper thus eligible for discount. It was further distinctly provided that nothing in the act should be construed to "prohibit such notes, drafts, and bills of exchange secured by staple agricultural products, or other goods, wares, or merchandise from being eligible for such discount." It was provided that the ordinary notes, drafts, or bills admitted to discount should have maturity at the time of discount of not more than 90 days, but that notes, drafts, and bills drawn or issued for agricultural purposes or based on live stock might have a maturity not exceeding six months. Not only is paper arising out of agricultural transactions made eligible under the act, but it is given a longer maturing period than other forms of paper. This apparent discrimination arose naturally out of the fact that agricultural operations are seasonal and involve a longer period than ordinary commercial transactions.

Again, it is provided in the act that national banking associations not situated in the central reserve cities may lend on improved and unencumbered farm lands within the Federal reserve district, and that such loans may be made for any period up to five years. Such loans may not exceed 50 per cent. of the actual value of the property. Any national bank under this provision of the act may lend on farm lands an amount in the aggregate equal to 25 per cent. of its capital and surplus or one-third of its time deposits. The Federal reserve act, therefore, so far from discriminating against the farming classes, distinctly bears them in mind, and while not discriminating in favor of them takes just and particular knowledge of their requirements.

The matter of additional legislation concerning farm credits was promptly brought to the attention of Congress by the President at the regular session in his annual message, and many experts have been giving persistent and careful attention to the problem.

The explanation of why special banking arrangements were devised abroad, but have not been extensively planned and operated in this country is to be found in the difference in economic, social, and banking habits and conditions. This is the only large country that may be said to have the ordinary banking habit developed in a high degree, with banking and lending associations democratized and in touch with the masses of the people. The great masses of people in a number of European countries do not have the ordinary banking habit and know little about banking practices. The habit of depositing money in banks, of checking against such deposits, and of mak-

ing loans through banks in such countries is not general. This may be illustrated by a reference to the Bank of France. This bank, with a billion dollars of bank notes, has only \$285,000,000 of deposits. A bank can utilize its assets either through notes or through discount and deposit and checking. In this country the assets of a bank are utilized to a slight extent through bank notes, the total volume being about \$725,000,000, while the total deposits in all the banks are \$17,000,000,000. This testifies to an unusual development of the banking habit among our people. Partly because of the lack of the ordinary banking habit on the part of European peoples, partly because of the lack of banking facilities, and partly because of other social and economic factors, special agencies had to be devised. There was great need for some addition to their machinery. The land mortgage and the cooperative credit arrangements grew up of necessity. Likewise the savings banks were created for similar reasons. It is noteworthy that only recently have saving institutions been established in great numbers in this country, and that still more recently the Government postal savings system has been evolved.

Notwithstanding the fact, however, that the people of the United States have ampler financial agencies than any other in the world, and have developed the habit of using these agencies to a greater extent than any other peoples, students of rural problems have been keenly alive to the need of further improvements. They have insisted upon extensions of the national banking facilities and the creation of special agencies in intimate touch with farmers with a special view to the betterment of financial conditions in the country. At least two definite measures have been prepared and have received special consideration. They are similar in many respects. They provide, in brief, for land-mortgage associations with a small capital, which may make loans on farm mortgages within a district of a State or within a State to the extent of 50 per cent. of the real values of the farms. The money arising from such loans is to be used for productive purposes on the farm on which the security is based. It is contemplated in one way or another, either through separate associations or through a central agency, that debenture bonds may be blanketed on the mortgages and offered to the public. It is proposed that the operations of the system shall be supervised by a central agency in Washington and that there shall be adequate safeguards in the way of examination and inspection. It is thought by students of the question that such debenture bonds would be safe, would attract capital, and would bring into the investment field especially smaller holdings scattered through the country which do not now easily find satisfactory investments. A plan of this kind, operating through private funds, should work safely and would probably result in a short time in systematizing credit transactions in rural districts and in reducing the rate of interest.

The Office of Markets and Rural Organization has continued its study of rural credits. Information bearing on farm-mortgage loans has been secured from two-thirds of the savings banks, trust companies, and State and private banks in the United States.

The estimated total of farm mortgages held by these banks as loans exceeds \$930,000,000. This fund is very unevenly supplied. Iowa banks alone furnish nearly 100 millions. Illinois and New York approximate 85 millions each, California 67 millions, and Missouri 58 millions. In Indiana, Vermont, and Minnesota the sum in each exceeds 45 millions. The total of farm mortgages held by these banks in the 10 States of the cotton belt is approximately the same as that held by Iowa banks.

Bankers in many States, especially in the Middle West, furnish almost as much money for farm loans, through their activity as middlemen, as they do through loans from their own bank funds. In such cases the banker acts as an agent, usually for some insurance company, mortgage company, or other bank. It is estimated that approximately \$565,000,000 is thus handled through members of State, private, and savings banks and trust companies.

Information secured from insurance companies shows that more than \$600,000,000 of their funds are invested in farm mortgage loans. While mainly confined at present to the corn belt, these investments are being extended into the South and West. The companies have trained field inspectors or rely upon the statements or guarantees of local agents as to land values. Insurance companies usually limit their loans to 40 per cent. of the value of the security and to a fixed maximum per acre. The prevailing period of such loans is five years, with the privilege of prepayment on interest dates.

The business of existing mortgage companies in the United States is often that of agents or brokers who bring borrower and lender together and render other services connected with mortgage loans without assuming liability. Such business can be built up with very little capital. The mortgage is made out directly to the lender, who assumes all responsibility. It is evident that the market for such loans is restricted to investors who know the nature of the security, who are willing to lend the particular amount desired, and who will assume all risks.

A limited number of companies deal in mortgages as a jobbing or merchandise business. The mortgages generally are sold after suitable investors have been found. A few of these companies retain ownership in a portion of the mortgages, deposit them with a trust company, and issue debentures secured by the mortgages as well as by the capital of the company. The debentures are issued in even amounts of \$100 and upward and for varying periods, affording the investor some of the usual conveniences of bonds. However, inasmuch as the purchaser of a debenture does not know the particular mortgages used as security he must rely on the integrity and solvency of the company to protect his investment.

The students of rural credit recognize the desirability of another piece of legislation which may probably be had at the hands of the several States or of the Federal Government, namely, legislation authorizing and encouraging local personal cooperative credit associations. Some States have already taken steps in this direction and others are contemplating taking them. The Department of Agriculture has made earnest investigations in this field and is in position to offer suggestions as to legislation and as to the

form and operations of rural credit cooperative associations. Such associations as these will perhaps render their largest service in the sections of the country where there are many small farmers whose individual resources may not be sufficient to enable them to secure the requisite credit. Their larger field for operation would probably be the South. Characteristics of such associations of small farmers are: Unlimited liability of members, the pledging of the faith of each to the other and of the whole to the lender; the use of funds for clearly defined productive purposes; and the supervision by the association of the use made of the funds. It has been objected that the feature of unlimited liability will prevent the organization of such associations in this country, but in certain sections of the Nation the liability of small farmers is already unlimited, and this could not be said to be an insurmountable obstacle.

In reference to such proposed associations, as well as to land-mortgage banks, it is of the utmost importance that attention be centered on the use which may be made of borrowed money. It is of high importance that there should be guarantees of the use

of funds secured for productive purposes on the farms covered by mortgages or other obligations; otherwise the field for speculation will be opened and more harm may result than good. The investigations of the department indicate that a relatively small number of the banks of the country pay any attention whatever to the purposes for which loans are made, and in replies to inquiries many of the banks reporting did not even attempt to give data bearing on this important point.

The Office of Markets and Rural Organization has continued its investigation into the field of personal credits. From data gathered it appears that the State, private, and savings banks and trust companies supply approximately \$1,000,000,000 for short-time loans to farmers and that national banks furnish \$750,000,000. As may be expected because of the differences in the relative importance of agriculture in various States, these short-time loans are very unevenly distributed. The funds are used chiefly in the financing of cattle raising, feeding, and marketing, of dairying, of hog and sheep raising, and of grain and cotton growing and marketing.



"IT PROBABLY WILL NOT BE KNOWN FOR SOME TIME"

On November 23d the Newark "Evening News" published a dispatch from its Washington correspondent which said:

It was admitted by Federal Reserve authorities today that Secretary McAdoo and Comptroller Williams made erroneous deductions in their recent statements about the amount of actual cash that would be released and put into service by the operation of the new reserve system.

Both of these officials made the announcement that over \$450,000,000 would be released for trade purposes through reduction in reserve requirements under the new system.

This statement was challenged by the JOURNAL of the American Bankers Association as misleading, and information gathered by the "News" correspondent, in large measure, sustains the contention.

It develops that Mr. Williams, in making up his figures, made arbitrary calculations on the reductions in reserves. He made these calculations on the premise that the reserves were all in actual cash when, as a matter of fact, there was a large proportion of credits.

If they did not know it at the time, the reserve board authorities now know that the release of actual, concrete cash is far below the figure estimated by Mr. McAdoo and Mr. Williams.

Secretary Willis of the Board is at work to ascertain approximately the amount of actual cash which may be taken from the vaults and placed at the disposition of the manufacturing, commercial and investment demand. This true release, it is explained, cannot be figured till the net cash reserve holdings and the accounts of the central reserve city banks have been received and listed.

On November 24th the "News" published the following dispatch from Washington:

Unqualified admission that the sum of \$464,919,076 to be released under reduction of the bank reserve requirements would not all be in actual cash was made to-day in the office of John Skelton Williams, Comptroller of the Currency. Through the reduction of the reserve requirements by the new banking law the Comptroller and Secretary McAdoo announced that \$464,000,000 would be released, and the impression had been given that this all would be in actual cash.

Asked directly and personally this morning if such would be the case, Comptroller Williams referred the correspondent of the "News" to the official of his department who had made the calculations and prepared the statement. After complicated explanation and long argument, this official admitted that the sum of \$464,000,000 would not be in cash, nor would he give an estimate of how much of this released reserve would be in cash and how much was credit or "fiction."

"You will notice that this printed statement," he said, "reads 'reserve released'; it does not specify that this is all cash."

As summarized in this statement, the total reserve required under the old law was \$1,460,711,345, while under the new law it is \$995,792,269, thus releasing \$464,919,076. Presumably this entire release was in actual cash; actually, it is now disclosed, an appreciable, if not substantial, proportion is in credit. Just the proportion of the credit, or fiction, and the actual cash released is being computed by Secretary Willis, and probably will not be known for some time.

WESTERN UNION COUNSELS BANKS ALWAYS TO USE CIPHER CODE

The importance of using the Code of the Association has been brought to the attention of members at various times. The Code should always be used, especially in the making of payments of money, delivering or receiving securities, and returning notes and bills. Danger may arise when messages are written in plain words. Many banks refuse to pay out money on open messages, and if the suggestion made is complied with, delay, inconvenience and possible loss will be avoided.

The following letter issued by the Western Union Telegraph Company and sent to various banks throughout the country is self-explanatory; it should be of particular interest to all members of the Association:

"Fraudulent telegraphic messages written in plain words occasion increasing inconvenience and money losses.

The banks that are primarily the victims of such fraud can protect themselves against the same by arranging for messages authorizing the payment of money to be written in code and not in plain language. Many of the banks of this country use Code in such cases and this letter is written to urge that in your own interest your bank adopt this precaution. We venture to suggest that banks should come to a common understanding among themselves that they will refuse to pay out money on open messages and that in all cases an open message instructing the payment of money and waiving identification should be looked upon with suspicion and that in every such case the bank requested to so pay should require identification and should also before paying secure a verification of the telegram requesting the payment.

We feel sure that you will appreciate the importance of this suggestion and will understand that it is not only prompted by a desire to serve your interest but also by the wish to avoid the association of the Telegraph Service with frauds of any character.



QUESTION OF THE RESERVE DISTRICT BOUNDARIES

Hearing of the Petitions for Changing the Location of Federal Reserve Cities and Making Alterations in the Boundaries of the Districts Begins in Washington on January 6.

The Federal Reserve Board has set January 6th as the date on which will be begun the hearing of petitions for changing the location of Federal reserve cities and altering the boundaries of the districts. The order of the hearings is as follows:

January 6—Petition of Baltimore to be made a reserve city instead of Richmond in District No. 5.

January 13—Petition of Pittsburgh to be made a reserve city instead of Cleveland in District No. 4.

January 20—Petition of certain banks in north-

ern New Jersey to be transferred from the Philadelphia to the New York district.

January 27—Petition of certain banks in Wetzel and Tyler Counties, West Virginia, to be transferred from the Richmond to the Cleveland district.

February 3—Petition of certain banks in Nebraska and Wyoming to be transferred from the Kansas City to the Chicago district.

February 10—Petition of certain banks in southern Oklahoma to be transferred from the Dallas to the Kansas City district.

February 17—Petition of certain banks in Stewart, Montgomery and Robertson Counties, Tennessee, to be transferred from the Atlanta to the St. Louis district.

Appreciation of Membership

Those enrolled as members of the Association are cognizant of the many benefits accruing from a membership which includes 14,700 of the most important banks, bankers and trust companies of this country.

Many times it occurs that the office of the Association receives letters expressing appreciation of membership. The following letter has recently been received and shows how much membership is valued by one of our members:

"I have your letter of December 12th regarding our dues which have not been paid.

"Of course we want to continue to be a member of the Association—we can afford it for many years to come. It was through the advice of your Legal Department that we were able to save \$1,100 about two years ago.

"It has been a mere oversight in not remitting, and you will find our draft enclosed for the fees of \$10.

"Thanks to Mr. Paton."

INTEREST RATES ON FARM LOANS.

From the "American Economic Review."

It is often asserted that the interest rates on farm loans are abnormally high. This view is held by the Ohio members of the American Commission, who state that rates run from six to eight per cent., including fees. It must be remembered, however, that interest rates on commercial loans in Ohio are rarely below six per cent. Moreover, loans to farmers are relatively unprofitable, since few borrowing farmers carry any considerable balance on deposit. In a State where commercial borrowers are ordinarily expected to maintain an average balance equal to 20 per cent. of their outstanding loans, and where the average rate paid bank depositors runs from three to four per cent., a rate much below six per cent. on farm loans is not to be expected. Yet the rate not infrequently goes as low as 5½ per cent., especially on loans made by building and loan associations, which commonly pay five per cent. on stock and on most deposits.

ADDITIONAL VICE-PRESIDENTS AND COMMITTEES

ALASKA—R. C. Wood, President First National Bank, Fairbanks.

ARIZONA—W. J. Kingsbury, President Farmers & Merchants Bank, Tempe.

HAWAII—H. A. Baldwin, President Baldwin National Bank, Kahului.

NEVADA—G. W. Mapes, President Washoe County Bank, Reno.

NEW HAMPSHIRE—Leon E. Smith, Assistant Cashier Ashuelot National Bank, Keene.

PHILIPPINE ISLANDS—Alfredo Rocha, Manager Bank of Philippine Islands, Iloilo.

PORTO RICO—A. F. Hietz, Pro Royal Bank of Canada, Mayaguez.

RHODE ISLAND—E. A. Havens, Assistant Cashier Mechanics National Bank, Providence.

SUB-COMMITTEE OF FINANCE COMMITTEE.

Auditing and Inventory—Downie D. Muir, Chairman; Walter W. Bonner, A. E. Edwards.

Income—Frank Knox, Chairman; George E. Lawson, W. C. White.

Disbursements—W. F. McCaleb, Chairman; Nelson N. Lampert, H. E. Otte.

AGRICULTURAL COMMISSION.

B. F. Harris, President First National Bank, Champaign, Ill., Chairman.

L. P. Behrens, Cashier First National Bank, Redwood City, Cal.

E. J. Curtin, President Citizens Savings Bank, Decorah, Iowa.

Joseph Hirsch, Vice-President Corpus Christi National Bank, Corpus Christi, Texas.

George T. Wells, Chief Clerk Denver National Bank, Denver, Colo.

J. R. Wheeler, Cashier Farmers & Merchants Union Bank, Columbus, Wis.

R. I. Woodside, President Farmers & Merchants Bank, Greenville, S. C.

A. B. A. MORTUARY RECORD REPORTED DURING DECEMBER.

Bartley, Patrick—President The Woodhouse & Bartley Bank, Bloomington, Wis.

Bowdoin, Temple—Of J. P. Morgan & Company, New York City.

Buchanan, T. J.—President National Bank of Barnesville, Barnesville, Ohio.

Cassaday, Samuel—President National Bank of Commerce, Louisville, Ky.

Chassell, George G.—President The First National Bank, Holland Patent, N. Y.

Cole, Johnson L.—Director Commercial-German National Bank, Peoria, Ill.

Cooper, John M.—President Baxter State Bank, Baxter Springs, Kan.

Cowen, F. M.—Cashier Dollar Savings Bank Company, Flushing, Ohio.

Cunningham, W. B.—President The Farmers & Merchants National Bank, Comanche, Tex.

Estes, Reuben M.—President Bank of Commerce, Sulphur, Okla.

Haynes, William E.—President Fremont Savings Bank, Fremont, Ohio.

Hildreth, Henry H.—Director Southampton Bank, Southampton, N. Y.

Johnson, C. I.—Director First National Bank, Lynchburg, Va.

Lamberton, W. F.—President Fairview State Bank, Fairview, Kan.

Long, Thomas W.—Cashier First National Bank, Hopkinsville, Ky.

McArthur, Col. Arthur—Director Union National Bank, Troy, N. Y.

McCready, George S.—Director Bank of Crisfield, Crisfield, Md.

Moffett, James—President Hamburg Savings Bank, Brooklyn, N. Y.

Moore, George R.—President First National Bank, Jackson, Minn.

Mowen, John Henry—Director North Side Bank, Brooklyn, N. Y.

Palmer, M. W.—President Hop Bottom National Bank, Hop Bottom, Pa.

Taylor, Robert M.—One of the founders of the First National Bank, Harrisburg, Ill.

Walter, Fred—Cashier Bank of Fredericksburg, Fredericksburg, Tex.

Whaples, William E.—President W. E. Whaples & Company, Bankers, Neponset, Ill.

Young, James C.—President Sullivan County National Bank, Liberty; Director National

Union Bank, Monticello, and First National Bank, Roscoe, N. Y.

Young, John W.—President Scott Valley Bank, Fort Jones, Cal.

CIPHER CODE OF 1914

The Association occasionally hears of an error in sending a Cipher Code message which indicates that in some cases members using the Code have not yet acquainted themselves with the instructions.

Since the distribution of the new Code articles have appeared in the JOURNAL-BULLETIN each month in regard thereto.

The larger banks of the country which make frequent use of the Code read the instructions and follow them, but experience shows that where misinterpretation may exist it seems to be with the small banks which use the Code only occasionally.

A special circular letter was sent to all members under date of June 1st, 1914, in which was enclosed a slip printed in red ink to be pasted between pages 2 and 3 of the Code. If this has not been done, attention should be given the latter.

Those reading this article are urged to show it to the various officers or employees who may be called upon at any time to use the Code, making a special point of the fact that it is important to read the directions on Page VIII of the Code, especially the paragraph in italics appearing thereon, the Code word 4012 and the test word instructions sent to members under separate cover.

MAYO COLLECTED \$110 AND RETURNED IT

Resolutions Adopted by the District of Columbia Bankers' Association in the Case Where George R. Mayo Planned to Defeat Legislation—He Hoped to Collect as Much as \$30,000.

On October 13th last, in the closing days of the last session of Congress, Representative Howard of Georgia, introduced a bill which would require national banks to publish annually a list of their deposits which have been held unclaimed five years or more. The bill was based on an ancient and exploded theory that millions of unclaimed deposits are in banks and that, in some way or other, the banks are the beneficiaries of them.

Soon after the Howard bill had been referred to the Banking and Currency Committee the following circular was sent to several thousand banks:

Dear Sir:—Your immediate attention is called to the enclosed bill. The enactment of this measure would be a bad precedent, entailing expense, extra clerk hire (as reports would have to cover 15 years) and the power of examiners would be largely extended.

This measure should be defeated, and, as you readily understand, prompt and vigorous steps should be taken before Congress meets in December to prevent, if possible, the publicity that will attend the discussion of the measure before the committee of the House.

Every legitimate means should be used to defeat this measure and the writer has agreed to bring this matter to the attention of the organizations interested and request their active co-operation by contributing the sum of \$50 each to a fund to aid in the accomplishment of the purpose in view.

George R. Mayo, Rooms No. 502 and 506, Union Savings Bank (this building) is in charge of the opposition to this measure, and you will kindly forward check payable to him. He will be glad to furnish any information desired by letter or wire.

The letter was on the stationery of the Union Savings Bank and was signed by C. L. Bowman, cashier.

To the correspondent of the Philadelphia Record, Mayo said that he had abandoned the plan several days before Wade H. Cooper, President of the Union Savings Bank had discovered the use to which the bank's letterheads had been put. Mayo also said he had made four collections, amounting to \$110, which he had returned. He counted on collecting about \$30,000, he said.

The Bankers' Association of the District of Columbia investigated the matter and adopted the following resolutions:

WHEREAS, Our attention has been called: 1st, To a bill introduced in the House of Representatives of the United States, on October 31, 1914, by Mr. Howard, the purpose of which is to require every National Bank organized under the laws of the United States, to publish a statement of deposits and dividends and interest declared and payable by it which, at the date of such statement, shall have remained unclaimed by any persons authorized to receive the same for five years. 2nd, To a circular letter prepared, signed, and sent to banks throughout the country, by Mr. C. L. Bowman, the cashier of the Union Savings Bank, a member of this Association, in which he suggests that each bank addressed contribute the

sum of Fifty Dollars (\$50.00) for the purpose of employing Mr. Mayo, an Attorney of this city, to oppose the enactment of said bill by Congress, thereby attempting to create a paid lobby supported by banks which may contribute to said fund, and

WHEREAS, it is our belief that such efforts, if pursued, will cause unfavorable criticism of those who sanction such a course and result in creating a spirit of antagonism on the part of Congress toward the bankers of the country, and

WHEREAS, we believe that any action for or against said proposed legislation should be taken by the American Bankers Association through its proper officers and committees, and

WHEREAS, since his attention has been called to the probable effect of his letter, Mr. Bowman agrees with our conclusions and has expressed to the President of this Association, in writing, regret for his action which he asserts was taken by him without giving the subject that careful thought which its importance demands.

NOW THEREFORE BE IT RESOLVED, by the Council of Administration of the Bankers' Association of the District of Columbia, in special meeting assembled, this 27th day of November, 1914, that we, in order to express clearly and emphatically the attitude which we believe this Association should assume toward this and all other questions similar in character, deprecate Mr. Bowman's efforts to create a paid lobby for the purpose mentioned, and record our opposition to said course.

RESOLVED, further, that one copy of this resolution be sent to the General Secretary of the American Bankers Association and another copy be sent to the Union Savings Bank of this city.

FIXING THE CREDIT

From "The New York Times."

In his annual report Secretary McAdoo tells the story of the labors of the Treasury Department in tiding the country through the financial crisis suddenly precipitated upon it at the beginning of the European war. It is a most praiseworthy record, and praise will not be withheld. If the services of the banks in that emergency received less attention in the report, that is only natural, for the Treasury Department is not called upon to treat of the operations of the banks. But now that the Federal Bank system has been established and the reserve banks have opened for business, it will be well to look back and see what the old system was able to do at the time of world-wide need and peril.

The crisis which began on the first of August was met at once by an active spirit of co-operation, which extended not only throughout the State of New York, but, under the leadership of local bankers, to the cities of Chicago, St. Louis, and every other center of influence; all these centers, perhaps for the first time on record, working together in unbroken harmony. This was done through the agency of the much-maligned and misunderstood clearing houses. The Treasury Department was promptly communicated with, and Washington officials, generously recognizing the leadership of experience, responded cheerfully and helpfully.

Why do people speak of "crisp, new" bank notes as if there was something superior about them if they are "crisp" and "new"? Also why are prizes for something or other always payable "in gold"? Also, is a thing "as good as a government bond" of any superior consequence?

PUBLIC UTILITY PROBLEM AS VIEWED BY A. J. FRAME

At the convention of the Investment Bankers' Association in Philadelphia Andrew J. Frame, President of the Waukesha National Bank, of Waukesha, Wis., read a paper entitled "An Equitable Solution of the Public Utility and Conservation Problems." So well were the paper and the suggestions made received and such has been the demand for copies of the paper that Mr. Frame has had a thousand copies printed for distribution among those who send requests for it. There may be many who will not agree with the form of regulation—by a United States Corporation Bureau and State Commissions and the Interstate Commerce Commission for state and interstate enterprises—proposed by Mr. Frame, but there will be no disagreement as to his conclusions.

Mr. Frame would have utility corporations granted non-competitive charters, renewable every 20 years with a readjustment of rates charged, limit the amount of stock and bonds to the values of all money or property turned in to the corporation, permit the payment of interest and dividends of 6 to 8 per cent., provide for the extension and development of properties through new issues of securities and, after the payment of specified charges and dividends, he would divide any surplus existing between the city, state or nation and the stockholders.

He gives some interesting figures as to the fluctuations in security values and points out the folly of endeavoring to regulate prices by law. The result he seeks is the encouragement of capital investment, quick development, the stabilizing of security values, the protection of innocent stockholders, the prevention of stock manipulation and the securing of confidence by yoking together of the interests of capital and of the people.

REGISTRATION AT OFFICES.

The following visitors registered at the Association offices during the month of December:

Allin, Arthur L., Treasurer Middletown Savings Bank, Middletown, Conn.
Barlow, C. C., Vice-President and Cashier The Yale National Bank, New Haven, Conn.
Bartlett, Geo. D., Secretary Wisconsin Bankers' Association, Milwaukee, Wis.
Bean, Robert H., Treasurer Old South Trust Company, Boston, Mass.
Collins, Chas. F., Chairman Wayne County and Home Savings Bank, Detroit, Mich.
Cooke, Thornton, Vice-President Fidelity Trust Company, Kansas City, Mo.
Corus, Henry C., Detroit, Mich.
Corus, Mrs. H. C., Detroit, Mich.
Cutler, Ralph W., President Hartford Trust Company, Hartford, Conn.
Dey, W. I., Assistant Cashier Peoples Bank, New York.
Dickinson, F., Richmond, Va.
Dunning, D. M., President Auburn Savings Bank, Auburn, N. Y.
Edwards, George E., President Dollar Savings Bank, New York City.

Edwards, Miss Josephine H., New Rochelle, N. Y.
Ford, Mrs. Russell, Ashland, Ky.
Fowler, Albert P., Vice-President First National Bank, Syracuse, N. Y.
Foye, E. Elmer, Vice-President Old Colony Trust Company, Boston, Mass.
Fratt, George N., Vice-President First National Bank, Racine, Wis.
Gelger, Miss Bush, Ashland, Ky.
Grape, M. H., Vice-President Union Trust Company of Maryland, Baltimore, Md.
Greenstein, Max B., Manager Savings Bank W. I. H. S., New York City.
Hemphill, A. J., President Guaranty Trust Company, New York City.
Hubbell, L. L., Treasurer Union Savings Bank, Danbury, Conn.
Hulbert, E. D., Vice-President Merchants Loan and Trust Company, Chicago, Ill.
Jackson, Herbert W., President Virginia Trust Company, Richmond, Va.
Keene, C. B., Director Postal Savings System of the United States, Washington, D. C.
Kloepfer, John A., President Union Stock Yards Bank, Buffalo, N. Y.
Law, Wm. A., Vice-President First National Bank, Philadelphia, Pa. President American Bankers Association.
McCarter, Uzal H., President Fidelity Trust Company, Newark, N. J.
McCord, R. W., Cashier Bank of Westbury, Westbury, N. Y.
Mason, John H., Vice-President Commercial Trust Company, Philadelphia, Pa.
Mitchell, F. L., President First National Bank, Racine, Wis.
Noble, Sheldon R., Manager Detroit Clearing House Association, Detroit, Mich.
Pierce, Carroll, Vice-President Citizens National Bank, Alexandria, Va.
Platten, John W., President United States Mortgage and Trust Company, New York City.
Poillon, Wm. C., Vice-President Bankers Trust Company, New York City.
Powers, Frank, President Bank of Westbury, Westbury, N. Y.
Prince, N. D., Vice-President Windham County National Bank, Danielson, Conn.
Rhoades, Herbert A., President Dorchester Trust Company, Boston, Mass.
Roach, J. P., American Exchange National Bank, New York City.
Taylor, Orla B., Vice-President Wayne County and Home Savings Bank, Detroit, Mich.
Van Deusen, Walter M., Cashier National Newark Banking Company, Newark, N. J.
Wolfe, Edmund S., Cashier District National Bank, Washington, D. C.
Woodruff, E., President Trust Company of Georgia, Atlanta, Ga.

In July, August, September and October, European countries took \$109,200,000 in gold from the United States; in November, \$7,134,753 was added, making the total of \$116,500,000.

TRUST COMPANY SECTION

OFFICERS, 1914-1915.

PRESIDENT:

RALPH W. CUTLER, President Hartford Trust Co.,
Hartford, Conn.

FIRST VICE-PRESIDENT:

JOHN H. MASON, Vice-Pres. Commercial Trust Co., Philadelphia, Pa.

CHAIRMAN EXECUTIVE COMMITTEE:

UZAL H. McCARTER, President, Fidelity Trust Company,
Newark, N. J.

SECRETARY:

PHILIP S. BABCOCK, 5 Nassau Street, New York City.

LEGISLATIVE COMMITTEE REPORTS ITS VIEWS OF CONDITIONS UNDER WHICH TRUST COMPANIES MIGHT JOIN NEW SYSTEM

At the meeting of the Executive Committee of the Trust Company Section of the American Bankers Association, held immediately after the adjournment of the Convention at Richmond, the Chairman was instructed to appoint a Legislative Committee of seven members of the Trust Company Section, with a view of completing the details of the so-called "Model Trust Company Act" and for the consideration of such other matters as might properly be brought to its attention.

As provided for at one of the sessions of the general convention at Richmond, the President of the American Bankers Association appointed a joint committee, three representing the Trust Companies, three representing the National Banks, three representing the State Banks and three representing the Savings Banks, twelve in all, to prepare such amendments to the Federal Reserve Act as would facilitate the entry into the Federal Reserve Association of State chartered institutions. The Chairman of the Executive Committee of the Trust Company Section was appointed chairman of this committee, the other representatives of the Trust Company Section being the Vice-President of the Section, John H. Mason, of Philadelphia, and John W. Platten, President of the U. S. Mortgage and Trust Company of New York.

Almost immediately after the appointment of the joint committee it was learned that the Federal Reserve Board had under contemplation the immediate formulation of certain rules and regulations under which State chartered institutions would be permitted to enter the system and realizing the wisdom of consulting with the Board before rather than after the formulation of its proposed rules and regulations the chairman sought an appointment with the Federal Reserve Board and the committee was accorded an interview on Tuesday, December 8th, less than thirty days after its appointment by the American Bankers Association.

The members of the joint committee, other than those representing the Trust Company Section, felt that sufficient time had not elapsed since their appointment to permit them properly to solve the problems confronting them, and the majority thereof felt that it would, therefore, be unwise to appear before the Board at the present time. The Trust Company

members, however, felt that the importance of the situation required some action on their part and consequently a meeting of the Legislative Committee of the Section was held in New York on Wednesday, November 25th, at which meeting there were present the executive officers of the Trust Company Section, Messrs. Goff, Fuller, A. A. Jackson and Platten—also Mr. Poillon of the Bankers Trust Company and Mr. Hemphill, of the Guaranty Trust Company, who had been invited to meet with the committee.

The Legislative Committee had in its possession a draft of the proposed rules and regulations which were under consideration by the Federal Reserve Board and discussed the same at great length, and the Trust Company members of the joint committee were instructed to present to the Committee on Admissions of State institutions of the Federal Reserve Board the result of such deliberations, and were further instructed to advise the members of that committee that the views so expressed were not those of the Trust Company Section, but merely the views of the individual members of the Legislative Committee of the Trust Company Section, and were in no wise to be considered as committing the members of the Trust Company Section at large. Inasmuch as it appeared probable that the Trust Company end of the joint committee would be the only class represented at the hearing before the Federal Reserve Board, the Chairman invited the full Legislative Committee to meet in Washington on the evening previous to the hearing before the Federal Reserve Board to formulate in writing its views. The committee so met on Monday evening, the 7th of December, and were pleased to have with them George E. Lawson, of Detroit, representing the State Banks, and B. F. Saul, of Washington, D. C., representing the Savings Banks. On Tuesday, December 8th, the committee, in company with the two last named gentlemen, appeared before the Committee on Admissions of State Institutions of the Federal Reserve Board, and presented a statement in writing of its views in relation to the subject, as follows:

"The representatives of the banking institutions who are present to-day desire to express to the members of the Federal Reserve Board their appreciation of the courtesy extended to them in permitting them to appear before them and of the efforts which have been made by your Board to meet the convenience of our committee in the postponement of the meeting from December 2nd until to-day.

"While we are appreciative of your efforts in this

direction, we nevertheless feel that sufficient time has not elapsed since the appointment of our committee by the president of the American Bankers Association, said committee being appointed only on November 9th, to have given proper and full consideration to the weighty problems involved in this subject and to have arrived at any conclusion in the settlement of the problems.

"The resolution passed by the American Bankers Association, under which this committee is acting, had for its object the suggestion of such change or changes in the Federal Reserve Act as would permit State chartered institutions to enter the System and, as before stated, and for the reasons given, the committee has been unable to offer any suggestions to the purpose for which they were appointed, and if, in offering some suggestions as to the rules and regulations to be promulgated by the Federal Reserve Board, they have strayed aside from the purpose of their appointment, they would plead their desire of full co-operation with the Government in the furthering of the banking interests of the country by doing everything in their power to assist the Federal Reserve Board in the determination of the problems with which they are now confronted.

"While the Trust Companies have given a great deal of consideration involving the subject, frankly we are compelled to admit, for the reasons outlined in the beginning of my remarks, viz: The short time we have had between the date of our appointment and the date of this meeting, that we have been unable to arrive at any conclusion among ourselves by which we could make any suggestions to you looking toward such amendments as might be made to the act which would encourage Trust Companies to enter the System.

"Since, however, it is the intention of the Federal Reserve Board to promulgate certain rules and regulations, it may not be inappropriate to bring to your attention one or two thoughts which have occurred to us and which we would like to suggest to you for your consideration."

The following is quoted from the copy of rules and regulations furnished us:

POWERS AND RESTRICTIONS.

Fourth. "State banks and trust companies may continue to exercise those banking or trust company powers granted them by their State charters when such powers are not in conflict with the limitations imposed by the Federal Reserve Act or the regulations of the Board. No power, however, granted by a State charter which is not customarily exercised by a bank or trust company and which is not incident to the business of a bank or trust company shall be exercised by any association (incorporated under the laws of any State) which becomes a member of the Federal Reserve System. The Reserve Board reserves to itself the determination as to whether these unusual powers are admissible and consistent. The applying bank must file with its application, as an exhibit, its statement showing powers granted to it by its State charter and those powers which it desires and intends to exercise."

It occurs to us that it may be difficult to determine what are the powers usually exercised by trust companies. Their powers are enumerated in the several State statutes under which they are incorporated. There is considerable difference between the powers granted such companies by the different State laws. In addition to this some of the trust companies are operating under private charters and exercising not only

the powers given under such charters, but also the powers given under the general statutes.

Under these conditions an applying trust company will be confronted with the necessity of immediately determining what powers it would like to exercise in the future and possibly of being compelled to discard some of the powers granted by its charter because the Federal Reserve Board, which is a continuing power, might be of the opinion that some of these powers not customarily exercised were inconsistent with the Federal Reserve System and therefore inadmissible.

Our disposition being in every respect that of supporting the Federal Reserve Board and the recent banking legislation, we had thought possible, after an opportunity had been afforded to the trust companies of watching the operations of the Act as applied to National Banks, that later on any State chartered institution would be able to enter the System and, after a fair trial of the same, if it so desired, might retire therefrom. As the law now reads this cannot be done. The Federal Reserve Act opens the door for voluntary entry of State institutions, but does not permit voluntary exit except through liquidation.

The Rules and Regulations say further:

Sec. 10. "The Federal Reserve Board will, from time to time, make such amendments and adopt and publish such additional regulations and by-laws as may be deemed necessary and advisable."

This regulation seems to us to contain elements of great danger to State chartered institutions entering the System and to impose hardships upon them which are not imposed upon National Banks, for the duties, the privileges and the limitations as applied to National Banks in the Federal Reserve Act are defined and prescribed, while under this regulation a future Federal Reserve Board may prescribe regulations for the conduct and management of State chartered institutions which may be difficult to comply with, and the above mentioned class of institutions would have no remedy or power to escape their enforcement except again by liquidation.

In offering these comments, we trust that you will realize that, for the reasons already stated, they merely represent the personal views of the members of the legislative committee of the Trust Company Section.

After the reading of the statement a full discussion of the subject was entered into between the various members of the Committee of the Federal Reserve Board, and the members of the Legislative Committee of the Trust Company Section, resulting in the request on the part of the Federal Reserve Board that the Legislative Committee should assist that Board in such further suggestions, looking toward the formulation of more favorable rules and regulations, as well as suggestions toward amendments in the act itself as would hasten the admission of the Trust companies of the country in the Federal Reserve Association. This the members of the Legislative Committee gladly undertook to do,

SAVINGS BANK SECTION

OFFICERS, 1914-1915.

PRESIDENT:

W. E. KNOX, Comptroller Bowery Savings Bank, New York City.

FIRST VICE-PRESIDENT:

N. F. HAWLEY, Treasurer Farmers & Mechanics Savings Bank,
Minneapolis, Minn.

SECRETARY:

E. G. McWILLIAM, 5 Nassau Street,
New York City.

SAVINGS BANK SECTION MEMBERS SUGGEST AMENDMENTS WHICH SHOW THEIR ATTITUDE TOWARD THE FEDERAL RESERVE SYSTEM

IN response to the circular letter recently sent to all members of the Savings Bank Section, and published in last month's JOURNAL-BULLETIN, numerous replies have been received, many of which contain suggestions of value, although it is a matter of regret that the percentage of replies to membership is small. This undoubtedly is due to the fact that few bankers have made a study of the Federal Reserve Act, the large majority apparently being willing to accept the opinion of others in regard to it, even when an opportunity is offered to suggest amendments which directly affect each individual institution.

And so it has been deemed advisable to publish in this number a digest of some of the suggestions received. Especially interesting are the suggestions in regard to mutual savings banks, which have almost unanimously taken the position that there was no possible way in which they could become interested in the Federal Reserve System.

These suggestions are presented without comment, simply to indicate how thoughtful bankers in various states regard the relations of State banks to the Federal Reserve System; and as it is possible that these bankers would not all care to write for publication, the names of individuals and banks have been omitted, simply giving the name of the state from which the suggestion comes.

FROM CALIFORNIA.

"Obviously the State banks and particularly the trust companies and capital stock savings banks have functions which under the law National banks do not have the right to perform, and these functions are necessary to the business of the country.

"Either National banks must be given the right to perform these functions, or State banks must be permitted to join the System without any interference in the exercise of these functions, as long as they are complying with their State laws and are solvent.

"Of course State bank members should be subject to the capital stock, reserve, examination and rediscount requirements of the act.

"The objections to applying for membership (other than the desire to wait and observe the operation of the System, whether on its merits or on political lines), which appear reasonable, are as follows:

"1st. (Sec. 9). That the Federal Reserve Board shall establish by-laws (which may be changed from time to time); 'such by-laws shall require applying banks not organized under the Federal law to submit to regulations prescribed by the Federal Reserve Board.'

"No important State bank can afford to submit its business to the uncertain exercise of this broad and indefinite power.

"2nd. (Sec. 9). 'Any (State) bank becoming a member of a Federal Reserve bank under the provisions of this section shall, in addition to the regulation and restriction hereinbefore provided, be required to conform to the provisions of law imposed on the National banks respecting the limitation of liability which may be incurred by any person, firm or corporation to such banks.'

"On account of this provision in the National Bank Act many banks have heretofore entered the State System, and will refuse to enter the Reserve System unless such provision is eliminated or modified to apply only to commercial or unsecured loans.

"While this restriction may be good as far as unsecured commercial loans are concerned (although in practice it is circumvented in a thousand different ways by National banks), it would work an injustice to the industrial business of the country if State banks, trust companies and savings banks were so limited in making loans secured by collateral or real estate or in the purchase of bond issues.

"Thousands of State banks, particularly country banks, find it both necessary and profitable to make such loans and investments in excess of 10 per cent. of their capital and surplus.

"The country needs banking facilities other than purely commercial.

"3rd. The act should provide that a State bank member may withdraw from its Federal Reserve bank by surrendering its holdings of capital stock and paying all its liabilities to the reserve bank. A National bank under the provisions of the act may liquidate, withdraw and enter the State System, but a State bank seems to have no remedy except to liquidate or perhaps to sell out to a new corporation with a different name.

"4th. The State banks will, before applying for

membership in large numbers, require a positive provision in the reserve act permitting them to continue their business according to their respective State laws, as far as their functions and the character and amount of their deposits and loans are concerned, excepting the right to loan on their own stock, which clearly should be prohibited by the laws of every State.

"Trust companies and savings banks will be very tenacious about the preservation of their functions, and will require definite provisions on the subject.

"Why restrict or interfere with the functions or privileges of State bank members of the Federal Reserve Bank, if upon examination such State banks are transacting a legal business, have an unimpaired capital and surplus, are solvent, have paid to the reserve bank the proper capital, maintain the required reserve deposit, rediscount the proper kind of commercial paper, and otherwise transact business with the reserve banks according to the terms of the act?

"If any excess commercial loan is made by a State bank, it would, of course, be unavailable for rediscounting purposes, but the loan would not necessarily be bad as an asset of the bank because excessive under the National Bank Act.

"Would it not add great strength and efficiency to the Federal Reserve banks if many or practically all the great trust and savings banks of the country would pay in capital stock and carry the required reserve, with their limited rediscounting ability, as on the whole a small percentage of their loans are commercial?"

FROM ILLINOIS.

"It is our opinion that the Reserve Banking Law should permit the State Banks entering the Reserve System to exercise all the functions now enjoyed by those institutions under the present State Law or Amendment."

"It would seem that examinations of State banks might not be required if the same are regularly examined by the State authorities, unless they were borrowers at the Federal Bank and such examination was then deemed necessary by the Reserve Board.

"We are inclined to think that a minimum reserve of five per cent. upon time deposits might be increased, where a bank carried a large proportion of all of its investments in mortgage loans, and require, instead of a minimum reserve of five per cent. of time deposits, a graduated reserve according to the proportion between their time deposits and their mortgage loans, ranging perhaps as high as ten per cent.

"The third objection is that nine-twelfths of the minimum reserve is, for the first three years, required to be held in cash or in the Federal Reserve Bank, and after three years the entire minimum reserve either in cash or in the Federal Reserve Bank. If the law were so changed that not more than nine-twelfths of the minimum reserve should, at any time, be kept in the Federal Banks and the remainder of the reserve in such other banks as were approved for that purpose, it would largely obviate this objection."

FROM INDIANA.

"We believe that the provision with reference to the maximum proportion of mortgage loans should be modified. The experience of this bank since its organization in 1872 has not witnessed a single loss upon this type of notes nor the necessity for instituting foreclosure proceedings in order to realize the proceeds of money so invested.

"The law as now drawn, requires State banks to conform to both the reserve and capital requirements of National Banks in communities of the same size. We think the requirements with reference to reserve are fair but that the minimum capital requirements may in some instances work a hardship, for the reason that in some sections of the country, among which the State of Indiana is conspicuous, the taxation upon bank stock, surplus and undivided profits is excessive.

"It is probable that if banks of lesser capitalization than that required for National banks, were allowed to join upon application and special ruling in the cases where it seemed that the amount of capitalization was the pivot upon which the affiliation or non-affiliation would turn, many State banks could be induced to join the Association, for the reason that by so doing they could thereby retain the postal savings funds now on deposit with them."

"We have applied for membership in the Federal Reserve Bank, of Chicago, on the theory and belief that we will be accepted, with the privilege of operating under our present charter under the Trust Companies Act in the State of Indiana without restrictions, other than additional examination and the reserve restrictions, neither of which are of any consequence."

"First, after once joining the System, a State Bank or Trust Company cannot withdraw except as it goes into liquidation. This is grossly unfair, and a State Bank or Trust Company should be permitted to withdraw and resume its corporate existence, whatever that was prior to its becoming a member of the Federal System. Second, we object to the multiplicity of examinations involved in the membership. Not that we object to a reasonable examination from any one source, either National or State, but we feel that a proper examination by one or the other of these authorities should suffice and that State Banks and Trust Companies should not be subjected to expense and annoyance of double examinations."

FROM IOWA.

"Permit mortgage loans on city property as well as improved farm land.

"Provide for uniform reserve for state institutions.

"Capital which is sufficient under State law should be permitted to remain same.

"Should be permitted to loan larger proportion of deposits on mortgage loans in order to provide for local communities."

"Would provide that banks located in cities having not to exceed 50,000 population be permitted to loan not to exceed 50 per cent. of their savings deposits in mortgages on real estate, maturing in not to exceed five years, providing the loan does not ex-

ceed 50 per cent. of the appraised value of the property, and providing further that not to exceed one-third of the real estate loans made by such bank may be secured by city property. Would confine the bank in its city loans to the city in which it is located, and in the matter of farm loans, the bank should be confined to the district within which it is located."

"In this State, banks are permitted to loan to one individual or firm more than is permitted by the Federal statutes, except in those cases where the surplus is as large or larger than the capital. In many country banks that is very important, even though, in many cases, it affects but a small portion of a bank's clients.

"The provision in the Federal Reserve Act as to farm loans is not sufficiently liberal for many banks organized under State laws."

"The provision as to longer time loans to farmers being available for rediscount is too restricted, for the reason that it requires a longer time for a farmer to 'manufacture' his product for market from the 'raw materials.' More latitude in this respect would be especially beneficial in the farther West, where money is so scarce now that interest rates are almost prohibitive."

"Under the laws of the State of Iowa, all State institutions are forbidden to hold stock in any other association or company. It would be a good thing if we were enabled to join the association and rediscount some of the paper, provided the Federal Banks were allowed to buy a quantity of first class cattle paper of not to exceed six months' maturity. Think the limit should be twice the capital stock of the selling bank instead of the capital stock as it is at present, because the small banks through the farming section are unable to carry the necessary amount of cattle paper to assist the farmers in raising the proper amount of live stock."

FROM KANSAS.

"In our opinion the System cannot be made attractive to any great number of State institutions without a general provision in the Federal Reserve Act allowing the State Banks and Trust Companies, which become members of the Federal Reserve Banks, to continue to exercise all the powers which are granted them by the State laws and to the extent allowed by such State laws, the same as they can exercise now. If the State institutions are limited to the performance of such acts and to such investments as National Banks are, under the Federal Reserve Act, then they might just about as well nationalize."

FROM LOUISIANA.

"We suggest that the law might be changed so as to authorize savings institutions to borrow by means of direct loans secured by collateral instead of having to rediscount commercial paper as provided by the present law, for the reason that Savings Banks in general do not handle commercial paper.

"It occurs to us also that the law might be amended with advantage so as to allow Savings Banks to invest more than 10 per cent. of their capital in any one security."

FROM MONTANA.

"At the present time no State Bank in Montana can become a member of the Federal Reserve System. Our legislature which convenes within the next thirty days will doubtless modify the statute so that they can come in, however. The question still remains with the bank whether it wants to become a member. One of the particular objections which we see now to a State Bank becoming a member is that it would be under the supervision and necessity of making reports to both the State and the Federal Bank Examiner. We would also have to modify somewhat the line of loans which we are carrying as our State statute authorizes making of real estate loans."

FROM MISSISSIPPI.

"The most important amendment necessary to secure the co-operation of the State Banks in the South, would be an amendment to abolish the provision authorizing the Federal Reserve Banks to act as clearing houses. This provision threatens the exchange earnings of country banks, banks in the small cities, and the banks in the lesser of the large cities of the South."

FROM MICHIGAN.

"The most important amendment that can be made to attract the State Banks would be to allow a large proportion of their deposits to be invested in first mortgages on real estate and long time municipal bonds. This question should be settled before we can take any action on reconciling other matters, as this seems to be the first essential."

"We are positive that State Banks should have mortgage loan privileges. Newer sections of the country have been practically developed by State Banks loaning upon real estate security. We are also inclined to think that if the State Banks are to keep 5 per cent. of time deposit loans, that it should be compulsory for them to demand ninety days' notice on withdrawals under certain conditions."

"The restriction on mortgage loans seems to be an insurmountable obstacle to membership."

"In order to make the Federal Reserve System attractive to State Banks, great care should be taken to so amend the Federal Reserve Act to permit Savings Banks to handle the same amount of real estate mortgages as now permitted under the State law.

"In a new country a real estate mortgage is about all the security that many people can offer.

"In such localities it would be hard for a bank to get industrial or business paper."

"We do not hesitate to say, as to non-member banks, there is a positive and unfair discrimination in the provisions of the new currency law. First, by reason of the importance of the savings business transacted by our State Banks and the requirements of the state law by which they are required to invest largely in the class of securities which could not be converted in a Federal Reserve Bank. Thus, membership in the Federal Reserve System offers no particular advantage. Second, by the provisions of Section 15 of the new currency law such banks are

required to forfeit their postal savings funds now on deposit by the Government with them.

"While we realize that the new currency law was framed with an object and purpose of stimulating our commercial and industrial activities and to prevent another financial panic, yet it does occur to us that a Federal Reserve Bank should have the authority to accept obligations other than notes of member banks growing out of commercial transactions and to discount acceptances endorsed by member banks. Were this true, we firmly believe membership in the Federal Reserve System would be more attractive to State Banks."

"The principal defect in the act is the lack of definiteness regarding State Banks. The law should be amended so as to state therein under what conditions State Banks can enter, remain and transact their business rather than that all these questions will have to be determined by the changing Federal Board."

"First: The Federal law requires a capital stock of \$200,000 in cities with a population of 100,000 or more. Our capital stock is \$100,000, and we have a surplus (earned) of \$110,000. We could declare a stock dividend of \$100,000, but we much prefer not to do so.

"Second: At present we have nearly \$600,000 of our assets invested in real estate mortgages, nearly all bearing 6 per cent. We regard these mortgages as the best assets we hold. National Banks, as we understand it, are not permitted to invest more than 25 per cent. of their capital and surplus in real estate mortgages. If we cannot continue our present investment in real estate mortgages, we will be unable to see our way clear to join the Federal Reserve Bank."

FROM NEW JERSEY.

"Section 24 be amended to read as follows:

"Any national banking association not situated in a central reserve city may make loans secured by improved and unencumbered farm land and improved and unencumbered city, town and borough property, situated within its Federal reserve district, but no such loan shall be made for a longer time than five years, nor for an amount exceeding fifty per centum of the actual value of the property offered as security. But such loans may be allowed to continue after the period of five years by permission of the Comptroller of the Currency. Any such bank may make such loans in an aggregate sum equal to twenty-five per centum of its capital and surplus or to one-third of its time deposits and such banks may continue hereafter as heretofore to receive time deposits and to pay interest on the same.

"The Federal Reserve Board shall have power from time to time to add to the list of cities in which National Banks shall not be permitted to make loans secured upon real estate in the manner described in this section."

FROM OHIO.

"A State Bank that was organized prior to the enactment of the Federal Reserve Act should be allowed to become member of the Federal Reserve Bank

under the same conditions that National Banks enter. Taking our city as an illustration: A National Bank is allowed to become a member with less than \$100,000 capital, while a State Bank would be compelled to increase its capital to \$100,000. This will keep many State Banks from becoming members, for there seems to be a discrimination in this requirement."

"We would feel that an injustice had been done us if the restriction and requirements for membership in the Federal Reserve System were such that we could not consistently comply with same, without injury to our business."

"We make no unsecured loans; the greater portion of the money we have loaned out is secured by a first mortgage lien upon nothing but improved real estate which has undergone a rigid investigation in order to prove that such real estate has a ready market value of at least twice the amount of the loan we make upon it, and every precaution is drawn about the maintenance of insurance and the deposit of such insurance policies with us, and the enforcement of the payment of taxes, improvement assessments, etc.

"The other line of loans we enter into are those which are secured by such collateral as may be sold at any time offered and bring a price which will more than pay the indebtedness to us. Our collateral loans are not secured by any form of industrial capital stock, nor do we loan upon industrial bonds.

"We would like to continue our present system of making loans, and yet be able to avail ourselves of what advantages there may be in a membership in our Regional Reserve Bank."

"As the Federal Reserve law now stands there is no advantage to banks such as ours to enter the system. Our investments comprise collateral loans and real estate loans as well as high-grade municipal and corporation bonds. None of these is available for rediscount purposes under the present status."

"Millions and millions of dollars of the savings deposits of this country are loaned out on real estate mortgages. No better security could possibly be obtained than well selected first mortgages on real estate in growing cities, up to say 50 per cent. of its value. The Savings Banks are the first to feel the effect of panic. If they had a place where they could obtain the currency on the securities which they possess, it would mean a very long step toward preventing any possible panic arising from the inability of savings institutions to quickly convert their securities into ready money. Our idea would be that if under proper regulation, the Act would be so amended as to permit the above, it would make it advisable for practically every savings bank and institution in the country to become a member of the Reserve System."

"First: Banks in towns of 6,000 and less than 50,000 inhabitants are required under the present act to have a capital of not less than \$100,000. This does not appeal to us, as it would be unwise in our case and we believe in many other cases, for banks in towns of this size to increase their capital above \$50,000. Our reason for taking this position is that with the increased expense of operating a bank, the

margin of net profits have fallen materially within the last few years. We are paying ten different classes of taxes, two of which go to the Federal Government, and for which we do not receive any value of any nature, as we are not incorporated under their laws, being, of course, a State bank, and with a smaller capital, our expenses are naturally less and net earnings greater on the amount invested.

"Second: We will have the expense and necessary bother of one additional examination, and perhaps more each year, and would be under not only the control of the State of Ohio, but also under control of the Federal Government; things that might pass examination of the Federal Government might not be satisfactory to the State of Ohio, or vice versa.

"Third: Inasmuch as the matter of making loans on real estate by national banks is not permitted under the National Banking Act, and as this class of loans constitutes a large part of our business, we would expect to meet with opposition on the part of national bank examiners.

"Rules should be adopted applicable only to State institutions, and these rules should conform as nearly as possible with the laws and regulations of the various States."

"Capital of State banks should remain as at present. National banks handle larger line of non-interest bearing accounts where many savings banks pay interest on majority of their business."

"The only objection we can see to it, thus far, is that the State laws permit us to loan 20 per cent. of the capital and surplus to any one person, firm or corporation, and, as we understand, the Federal system limits this to 10 per cent. We think this perhaps will be the greatest objection to State banks entering the system. If this could be removed, no doubt many of them will join."

"We feel disposed to take this occasion to ask if you cannot lend your influence toward an amendment of the Federal Reserve law, so that State banks, at least those under supervision of well-organized State banking departments, shall be permitted to retain their share of Postal Savings deposits.

"When the Postal Savings law was passed, banks were assured that no great harm could come to them by reason of it because deposits were to be prorated among the banks of the community in which the deposits were collected. This is a perfectly fair proposition, but it is unfair to attempt to drive State banks into the Federal System by withdrawing their Postal savings. The Government is very well protected against loss for such deposits in banks (whether members of the Federal System or not) by a deposit of acceptable security with the Government."

"We believe the Federal Reserve Act should be so amended as to recognize all State laws under which a savings bank or trust company may hold its charter, also to permit savings banks and trust companies to make loans on city real estate."

FROM OREGON.

"Law should be changed so that any bank with \$100,000 paid-up capital stock in any city or town

should be permitted to join, as banks of this size are absolutely essential in cities to take care of the smaller trade, as are the larger banks, and just as solvent.

"The State banks or even national banks in cities of over fifty thousand inhabitants or one hundred thousand, if they insist, should be permitted to loan on city improved real estate, which is an offset, as the country bank is allowed to loan on farm property. City banks have little opportunity to loan on farm property, and in cities of over fifty thousand inhabitants the values of city property are staple and even more desirable than the farm loan, as they are more liquid.

"Considering the Postal Savings law was inaugurated with the understanding that the funds should be placed in all banks alike, the security being equal, the postal savings section should be revised and deposits allowed to remain in State banks. It is certainly unjust to pass a law and make such promises and then revoke it in two years."

FROM SOUTH DAKOTA.

"A queer situation occurs here in our city which might be worth calling to your attention. We have six banks, three of which are national institutions and three savings. The capital of the national banks are \$100,000, \$50,000 and \$50,000 respectively. The capital of the State banks are \$50,000, \$50,000 and \$25,000 respectively. Were we to organize a new national bank to-day, under our present city population, it would require a capital of \$75,000. This in itself, according to the Federal Reserve bill, would exclude all of our savings banks from admittance to the Federal Reserve System. However, the two national banks of \$50,000 capital are forced in. Assuming that our State banks are as worthy of admittance in all other respects as the national banks referred to, a weakness in the bill exists, and an amendment would be in order to permit the savings banks with capital of \$50,000 here in this city to enter the system. No doubt other strong State institutions throughout the country are excluded for this same reason."

FROM VIRGINIA.

"Provide that a fair rate of interest—say, 2 per cent.—be allowed on the amount of reserve required to be kept with the Federal reserve banks.

"Under the existing arrangement, no interest is paid on these reserve balances, and after the expiration of three years it will be necessary to keep all of our reserve funds either in our own vaults or with the Federal reserve banks, which would mean to the member banks a loss of 6 per cent. interest on the entire amount; whereas, under the old National Bank Act, 2½ to 3 per cent. could be gotten as an offset to this by keeping three-fifths of our reserve with reserve agents."

"Would respectfully suggest that loans on real estate be permitted to the extent of capital, surplus and one-third of deposits. This will insure abundant safety, liquidity, and be of substantial help to the people who patronize the savings banks."

FROM WEST VIRGINIA.

"Should be permitted to operate under present State law.

"The banking law of West Virginia is modeled largely on that of the National Association, with the added liberality of permitting real estate loans and a loan limit of 20 per cent. of capital and surplus, as against the national 10 per cent.

"If we give up these privileges and then take on the burden of capital stock on which the earning power is limited, with no interest on reserves, we are unable to see, as yet, where membership will be desirable."

FROM WISCONSIN.

"Have Federal Reserve Board take up matter of amending State laws to permit purchase of stock in Federal reserve banks.

"Permit real estate loans also on city property.

"Permit membership with same capital prescribed by State laws."

"The present greatest objection to entering the Federal Reserve System, from the standpoint of the average smaller State bank, is the restriction in regard to loans, both real estate and otherwise, as to percentage to total of capital.

"It seems perfectly fair to make such restrictions as seem advisable regarding paper offered to the Federal Reserve Bank, but outside of that paper, it seems to us that the State banks ought to be allowed the loaning privileges given them under the State laws of their several States."

FROM MUTUAL SAVINGS BANKS

CONNECTICUT.

"In Section 1, add the words 'savings banks'; define savings banks as 'savings banks having no capital stock' or 'mutual savings banks having no capital stock.' I make this limitation because it seems to me that savings banks having a capital would come in under 'State banks,' already provided for in the Act.

"Include within meaning of 'member banks' 'savings banks.'

"Provide that any savings bank desiring to become a member bank must subscribe to the capital stock of its district bank \$2,500 for each million of its deposits.

"Under Section 13, paragraph 3, limit amount of acceptances discounted for savings banks to five per centum of deposits.

VALUE OF GROUP MEETINGS

(From Report of Committee on Group Meetings, Missouri Bankers Association, 1907.)

Opportunities are given for the discussion of subjects that bear especially upon banking conditions as they exist in the different individual sections of the State; encouragement is given in the expression of

"Paragraph 4, limit aggregate amount of single-name paper discounted for any savings bank to one per centum of its deposits.

"Paragraph 5, limit acceptances by savings banks to five per centum of its deposits.

"Provide, perhaps in Section 14, that any Federal reserve bank may loan any member savings bank on pledge of bonds issued by any municipality in the continental United States, an amount not exceeding five per centum of its deposits.

"In Section 21, provide that examinations by State authorities may be accepted in case of savings banks.

"Make all paper discounted for or loans made to member banks preferred claims upon assets of such member banks."

MASSACHUSETTS.

"Require savings departments of national banks in States where there are mutual savings banks to conform to law governing said mutual banks."

NEW YORK.

"Provide a ready means of realizing on the assets of our mutual savings institutions in time of need through the medium of national banks."

"Mutual savings banks should be allowed to in some way borrow money, using their bond securities as collateral, without waiting for the consent of the State Superintendent of Banks, providing the money was to be used to take care of sudden and unusual withdrawals and not for the purpose of loaning. Such borrowing to be reported immediately to the Banking Superintendent and to be discontinued as soon as he thought best."

"Permit a mutual savings bank to borrow on its securities under proper restrictions. This would enable such bank to obtain the necessary currency without a sacrifice which a forced sale might bring. The public, knowing the Reserve Bank could extend to the savings bank such aid, would not be apt to become alarmed at unfounded rumors. Furthermore, commercial banks, who hold savings bank funds on deposit, would not be subject to sudden abnormal drafts in times of pressure."

With these suggestions before them, we leave the matter for further consideration by our members, in the hope that other suggestions will be received in the very near future, thereby enabling the gentlemen representing the Savings Bank Section upon the "Committee of Twelve" to render an intelligent and valuable report whenever a meeting of that committee shall be called.

personal views and the relation of helpful experiences pertaining to matters that are peculiar, or at least important, to the distinctive Groups; questions frequently arise that prove to be of more than local importance, and furnish good material for discussion at the State conventions. In fact, the system is an indispensable "feeder" for the Association and its annual meetings and to it much credit is due for the Association's growth in membership and efficiency.

CLEARING HOUSE SECTION

OFFICERS, 1914-1915.

PRESIDENT:

A. O. WILSON, Vice-President State National Bank, St. Louis, Mo.

VICE-PRESIDENT:

J. D. AYRES, Vice-President The Bank of Pittsburgh, N. A., Pittsburgh, Pa.

CHAIRMAN EXECUTIVE COMMITTEE:

W. D. VINCENT, Vice-President Old National Bank, Spokane, Wash.

SECRETARY:

O. HOWARD WOLFE, 5 Nassau Street, New York City.

THE UNIVERSAL NUMERICAL SYSTEM

THE latest development in the use of transit numbers is the official adoption of the system by the reserve banks. It was a foregone conclusion that these banks would use numbers to designate their members and the natural thing to do was to adopt the comprehensive system of numbers that had already been assigned. The original purpose of the Universal System was to prevent further chaotic conflict between the various private numbering systems that were springing into use. As matters now stand every bank has a certain, fixed number which can be used whether or not the bank is a member of the reserve system.

Seventy per cent. of the banks in the country have conformed to the requirements and are now printing their transit numbers upon checks and drafts. All other banks should do so at once. Little by little the idea is beginning to sink in that this system can be used by all banks large or small. However, we wish to make the distinction clear that showing the numbers on checks is not using the system. Banks may take it or leave it, as they please, but all checks should show transit numbers so that the banks that care to save time and money may do so. The following is a voluntary contribution from a small country bank:

"In our institution the remittance clerk saves from fifteen to thirty minutes daily by the use of the system. I presume the saving in time is much greater in the large city banks, who use special machines for this purpose, than with us. We have but one remittance clerk who devotes several hours in the afternoon to the transit work and uses the pencil and carbon form; as a matter of fact, it would not pay us to install a special machine. However, time saved is time that can be utilized for other purposes, and the Clearing House Section of the A. B. A., by this achievement, deserves the utmost credit for devising this system of simplifying transit work."

SHIPMENTS OF CURRENCY

THE attention of all members is directed to a letter sent out recently by a Pacific Coast bank to correspondents, as follows:

"Losses have been sustained by Inland Empire banks during the last six months by robbery of currency shipments made Saturdays, which were being held by the postoffice over Sunday because they arrived at their destination too late for Saturday delivery. A recent occurrence of this kind justifies us in calling your attention to the risk involved in making shipments on Saturday; and for the protection of the Insurance Company, the Postoffice Department and yourselves, we suggest that your ship-

The position of the numbers on checks or drafts may be ascertained by referring to one of the new Federal reserve notes. The district number and letter of each reserve bank is shown at the upper right-hand side of the note and at the lower left-hand corner. The first district number mentioned marks the position of the transit number on checks, or the number of the drawing bank, on drafts. The second district number marks the position of the transit number of the bank drawn upon, on bank drafts. In having drafts printed be sure to show the numbers of both the drawing and the paying banks.

Bank drafts should be $8\frac{1}{2} \times 3\frac{1}{2}$ inches, which is the standard size. We again call attention to the error that was made in some sections with respect to the sample draft on the reserve banks. This should have been $8\frac{1}{2}$ inches long instead of 9, as was indicated. The Secretary of the Reserve Board has tried to correct this error in every possible way and to that end this notice is again given our members. The complete list of the transit numbers of the Federal reserve banks follows:

Federal Reserve Bank, Boston,	5-1
Federal Reserve Bank, New York,	1-120
Federal Reserve Bank, Philadelphia,	3-4
Federal Reserve Bank, Cleveland,	6-1
Federal Reserve Bank, Richmond,	68-4
Federal Reserve Bank, Atlanta,	64-14
Federal Reserve Bank, Chicago,	2-30
Federal Reserve Bank, St. Louis,	4-4
Federal Reserve Bank, Minneapolis,	17-8
Federal Reserve Bank, Kansas City,	18-4
Federal Reserve Bank, Dallas,	32-3
Federal Reserve Bank, San Francisco,	11-37

It will be noticed that nine clearing houses of the twelve adopted the suggestion of the Clearing House Section and gave the reserve banks the lowest "open" number instead of putting the reserve bank at the end of the list.

ments be ordered so as to reach you not later than Saturday morning."

This letter met with an instant and hearty response and it has been thought well to call the matter to the attention of all clearing houses. Why are such things not made the subject of local bulletins by live clearing house associations? Kansas City, a model clearing house in many respects, publishes regularly a small leaflet which contains not only items of general interest, but suggestions that make for the common welfare of banking and business. More clearing houses should adopt this sensible method of keeping up to date. It reflects the underlying principle involved in bank association in a practical way.

CLEARING TOTALS WILL LOSE VALUE AS STATISTICS WHEN RESERVE BANKS HANDLE CHECKS

IN a recent issue, the New York Times Annalist published a chart showing the variations between clearings and transactions as reported by about thirty members of this Section. These clearing houses enjoy an advantage in that they are in possession of dependable and authentic figures showing the real business fluctuations for two years. Furthermore, these figures will not be affected by the clearing operations of the Federal reserve banks.

As has been predicted time and again in these columns, clearing totals will be practically worthless in statistical value just as soon as the reserve banks begin to handle checks to any extent. At the present time, in addition to all known objections to clearing totals, they have the insurmountable defect in that only about 40 per cent. of the checks used ever get into the exchanges. This percentage will be so far reduced by the operations of the reserve banks as to make clearings useless as a barometer of trade.

Total bank transactions as standardized by the Clearing House Section consist of all debits against deposit liabilities. It is just as easy to get this figure from each member bank and strike a total for the

clearing house, as it is to collect the present figures of exchanges. Bank transactions are not affected by consolidations, deferred settlements, nor by variations in rules as to what items may be passed through the exchanges. They include checks drawn for pay-roll cash, an important item in the trade index that never can get into clearing totals. Total bank transactions, in short, show not only the true volume of trade of any given center, but they also indicate the velocity of check circulation—an indispensable factor in currency calculations that we have had to guess at in the past.

All members of the Clearing House Section in particular and members of the Association in general are urged to put their clearing house figures on a proper basis as soon as possible. By beginning to collect total transactions now, they will be more useful in permitting a comparison to be made with clearings after the latter are affected by the new system of check collection. Write the Clearing House Section for further information. Correspondence may also be addressed to W. D. Vincent, Chairman of the Executive Committee of the Clearing House Section, at the Old National Bank, Spokane, Washington.



NEW MEMBERS.

Reading Clearing House Association, of Reading, Pa., The Beaver County Clearing House Association, of New Brighton, Pa., and the Clearing House Associations of Beaumont, Tex., Fresno, Cal., Billings, Mont., and Decatur, Ill., are now members of this Section, making a total membership of 153 organized clearing house associations.

"UNWARRANTED OFFICIAL ACTION."

Senator John W. Weeks, of Massachusetts, addressed the Illinois Manufacturers' Association on December 8th on the "Relations of Government to Business." In discussing the tendency to turn over to commissions the power of supervising business affairs, he recommended definite restrictions on the powers and activities of the commissioners. He said that many men placed in authority would assume powers that were not intended by the framers of the law, with the result that business would be embarrassed.

As an instance of the tendency to exceed authority imposed by law but not definitely defined or restricted, Senator Weeks referred to the action of the Comptroller of the Currency in sending to national banks on September 1st a telegraphic request for descriptive lists of the securities held by them as collateral with which they were dissatisfied. He stated that on November 1st the Comptroller had

also telegraphed the banks, asking information as to the highest rate of interest charged by them during the preceding week and whether they were asking more than six per cent. on call loans. Senator Weeks continued:

"It is a fair assumption, I think, that asking such information, in the case of the second telegram immediately preceding election, indicated a desire to find out whether some banks had been using their power for political reasons. In any case there is nothing in the law or in the custom to justify or warrant the Comptroller in making the inquiries I have quoted. It is not within his control, and should not be, to know why banks are loaning money to one individual and not to another, or why a change in security was demanded, or what rate of interest banks are charging, provided the loans carried cannot be shown to be worth less than their face value, thereby impairing the correctness of the bank's statement.

"The relations of the banks to one another and to the Comptroller's office are most delicate. All banks naturally wish to comply with the Comptroller's demands, as they have done in this and many other instances in recent months, at great trouble and expense to themselves, fearing reprisals if they did not do so. No more striking case of unwarranted official action can be instanced, and I fear it is only indicative of what may result in other departments unless a decided check is imposed."

STATE SECRETARIES SECTION

OFFICERS, 1914-1915.

PRESIDENT:

W. W. BOWMAN, Secretary Kansas Bankers' Association, Topeka.

FIRST VICE-PRESIDENT:

HAYNES McFADDEN, Secretary Georgia Bankers' Association, Atlanta.

SECOND VICE-PRESIDENT:

GEORGE D. BARTLETT, Secretary Wisconsin Bankers' Association, Milwaukee.

SECRETARY-TREASURER:

GEORGE H. RICHARDS, Secretary Minnesota Bankers' Association, Minneapolis.

TWO CONTRASTED CASES SHOW DESIRABILITY OF PRINTING REPORTS OF GROUP MEETINGS

THE proceedings of the eighth annual meeting of Group Five, Virginia Bankers' Association, have been printed in pamphlet form by the secretary, C. W. Beerbower, of the National Exchange Bank of Roanoke. To print the proceedings of a group meeting seems to be an innovation. Mr. Beerbower thinks it is the first time any Group has issued an "annual bulletin." If he is right the Group of which he is secretary has established a commendable precedent. Group meetings are always interesting and often the addresses contain valuable ideas and suggestions. The discussions are not less valuable as a source of information while there is usually an informality that invites to action men who would decline or hesitate to reduce them to fixed form for solemn presentation.

At a recent meeting of a New York State Bankers' Group, Governor Strong and Federal Reserve Agent Jay, of the Federal Reserve Bank of New York, talked and talked on subjects of concrete interest to bankers generally. They were asked many questions. The discussion was free and general. The subject under discussion included check collections, the entrance of state banks into the Federal reserve system, and other phases of the operation of the act. These are matters in a formative state. The state institutions do not yet know whether they wish to come into the reserve system at all. The members of the Federal Reserve Board and the officers of the reserve banks do not know whether an effort should be made to get them all in. The question of clearings and

check collections by the reserve banks is one that affects profits, real and potential, and if profits are to be decreased as the result of the development of a new system, each banker has his own ideas as to whether or not the resultant condition will be harmful or beneficial to him.

The officers of the New York reserve bank secured much information as the result of the discussion and the bankers present got a clearer insight into the manner in which the new system is developing and a new idea of the difficulties the reserve bank officials are encountering.

During the week following this group meeting many requests were received for copies of the remarks made by Mr. Strong and Mr. Jay and for reports of the discussion. The requests came not only from those who were present and wanted what they had heard in a form for reference and study, but from many who were not present and wanted information. But no notes were made, the speeches were extemporaneous and the discussion impromptu and the benefits were confined exclusively to those who were present.

In the published proceedings of Group V of the Virginia Bankers' Association there is much that was worth recording. It has been the subject of complaint that the bankers of the country have paid too little attention to the question of rural credits legislation. The activities have been too conspicuously those of dreamers, theorizers, professional reformers and politicians. This may or may not be true. It may even be true that the bankers have been lethargic. It is more likely that what they have thought and said has not been given adequate publicity. At the Group V meeting, for instance, R. W. Dickenson, President of the St. Paul National Bank, spoke briefly on the subject of rural credits but he seems to have summed up the situation with remarkable clarity. What we need, he said, is a system of finance that is better adapted to the needs of the farmer, who can't use short time money. He continued:

In Europe institutions for financing agriculture are largely co-operative for furnishing short time credit, and the government institutions for long time or land mortgage loans. These are well adapted to the wants of the people of these countries, and have given a great impetus to agriculture; but I do not think either the co-operative or the government institutions the thing for this country. They are not suited to the genius of

CONVENTIONS TO BE HELD IN 1915.

May	3-5	Ex. Coun. A. B. A.	Old Point Comfort, Va.
"	10-12	Alabama	Birmingham.
"	11, 12	Kansas	Independence.
"	13, 14	Oklahoma	Place not decided.
"	18-20	Texas	Waco.
"	25, 26	Missouri	Place not decided.
"	27-29	California	San Francisco.
"	27-29	Georgia	Savannah.
		Idaho	Lewiston.
		Florida	Palatka.
		North Dakota	Bismarck.
		South Dakota	Deadwood.
		Washington	Seattle.
Aug.	18-20	Am. Inst. Banking.	San Francisco, Cal.
		Amer. Bankers Assn.	Seattle, Wash.
Oct.	Last	New Mexico	Roswell.

our people. We are too individualistic. Each American wants to do things on his own account. We are perhaps too void of the spirit of altruism to do things co-operatively and divide the profits among the whole community. We are too capitalistic—too full of independence and initiative for government-owned institutions. As to short time personal credit I think the commercial banks of our country furnish ample facilities, but there is great need for a system of land mortgage institutions where the owner of farming lands can borrow money on long time and easy payments with which to pay off any encumbrances that may be against his land, and with which to develop and improve his soil. The Woodruff Trust Company, Joliet, Ill., was organized for the purpose of furnishing long time mortgage loans on farming lands in Illinois. They make loans on 30-year terms to be paid back in semi-annual payment of 3½ per cent., which pays interest and principal in 30 years. On terms such as these the farmer can use borrowed money to stock his farm, put up necessary buildings, renew his soil and soon double his yield of crops, and soon be able to anticipate his payments or wipe out the mortgage.

Now it occurs to me that if Group Five of the Virginia Bankers' Association wants to do something worth while, something that would contribute to the general prosperity of the territory it covers, it should organize a land mortgage bank with a capital large enough and a management such as to command the confidence of the investing public. The stock constituting the capital of this bank should be owned by the member banks of Group Five. Loans would be made only on agricultural lands and in no case be in excess of 50 per cent. of the dependable value of the lands. Funds needed in excess of the capital should be obtained by the sale of debenture bonds of the bank issued against the land mortgages held by it. This bank should not receive deposits. No bank that depends on its deposits for funds can

safely make long time loans. An institution formed along these lines would be of incalculable advantage to agriculture in our territory and would in no way conflict with the interests of the commercial banks; it would contribute to their business by making the country more prosperous.

Judge John W. Price also addressed Group Five. His subject was "The Banker a Repository for the Other Man's Troubles." In part he said:

It will be agreed that the customer who applies to the banker for a line of credit establishes the most confidential relations and the most confidential relations should exist in order that justice may be done both parties and that the very fullest understanding of the situation may exist. In order to promote a confidential relation, so that the client may freely consult and advise with his banker about the most sacred facts of his business life and plans, the client must be assured that the information imparted will be most jealously guarded and its secrecy will be held inviolable. The importance of the very great care with which such information should be treated should be impressed most emphatically upon all bank officials. I believe and submit for your consideration that if a client consults an attorney and states to him the inmost secrets of his business affairs, that such information becomes what we lawyers term a "privileged communication." That is, we treat it as confidential in the most sacred sense. We will not communicate it; we hold it as trust, and the courts have been led so to treat it, and have said such information shall not be extracted from the professional adviser, even by the process of the courts themselves. The reason for this rule is that it is considered to be against public policy to permit such information to be disclosed. I submit, therefore, that the rule ought to be the same between the banker and his client, and for the same reason and for other reasons, readily discernible.

WAR CAUSES ABANDONMENT OF BANQUET BY N. Y. GROUP

The members of Group VIII of the New York State Bankers' Association have received a notice signed by Joseph B. Martindale, Chairman, and Thomas Cochran, Secretary, announcing the abandonment of the annual banquet of the Group. The letter reads:

After careful consideration your Executive Committee has taken the responsibility of abandoning for the coming year the Annual Banquet, usually held in the month of January.

To-day several nations of the world are overwhelmed with sorrow and suffering. War is destroying their commerce and paralyzing their industries, and death is exacting day by day a fearful toll in human lives. This unspeakable

suffering and sacrifice of life is being abundantly shared by those men of these nations who occupy the same walk of life that we do in this nation. A single bank in one European Capital has published a list of twenty-three of its "conscientious employees" who have already fallen on the field of battle and adds, "we will always keep them in loyal remembrance." Other banks throughout these countries could doubtless record the same sad story.

It is for reasons such as these that it seems altogether fitting that we should not make festival while our fellow workers in other nations are in the midst of grief and mourning, and hence your Committee has been led to the decision indicated above.

CALIFORNIA BANKERS' MEETING

The mid-year meeting of the officers and executive council of the California Bankers' Association was held at San Francisco December 19, 1914. The reports of the officers showed that the various departments maintained by the Association had been active.

The San Francisco Clearing House Banks extended an invitation to the Executive Council to hold the next general convention of the Association in San Francisco. The invitation was accepted and the dates fixed at May 27, 28 and 29, 1915. The several bankers' associations of the other states included in the Twelfth Federal Reserve District will be invited to hold a joint convention in San Francisco and there is the prospect of a very important meeting.

Before the meeting Mr. J. M. Henderson, Jr., of

Sacramento, presided as host at a luncheon. Those present were:

R. M. Welch, President Savings Union Bank & Trust Co., San Francisco; Charles A. Smith, Vice-President Security Bank, Oakland; Frederick H. Colburn, Secretary, San Francisco; William H. High, Treasurer Anglo & London-Paris National Bank, San Francisco; J. M. Henderson, Jr., Chairman, Sacramento Bank, Sacramento; F. J. Belcher, Jr., First National Bank, San Diego; C. W. Bush, Bank of Yolo, Woodland; J. Y. Eccleston, Oakland Bank of Savings, Oakland; L. Gundelfinger, Bank of Central California, Fresno; P. E. Hatch, National Bank of Long Beach, Long Beach; A. B. Jones, First National Bank, Los Angeles; Elliott McAllister, Decker, Jewett & Co. Bank, Marysville; George P. McNear, Sonoma County National Bank, Petaluma; George S. Meredith, Farmers & Merchants Savings Bank, Oakland; George N. O'Brien, American National Bank, San Francisco.

LIBRARY AND REFERENCE DEPARTMENT

MARIAN R. GLENN, Librarian



What Are You Doing to Develop the Credit Capacity of Your Community?

Some of the Many Ways in Which the A. B. A. Library May Be Used to Advantage—How Banks May Raise the Credit Level—Books, Articles and Helpful Suggestion May Be Had for the Asking.

The safety of your bank depends on the credit character of your customers. What are you doing to develop the credit capacity of your community?

The beginning of a new year is a good time to take a credit inventory of the character, capacity and capital of the people who do credit business with your bank. When you have analyzed the situation and decided what credit construction you want to undertake, remember that the American Bankers' Association has a bureau of business information, called the Library and Reference Department, which will help you with just such problems if you will use it as you would use any other labor saving device as a part of your bank equipment.

Suppose, for instance, you come to the conclusion that the capital of your community might be employed to develop some local industry of which you want to make a study. Where will you get the facts regarding the relation of the local to the general market, the supply of raw materials, other industries of a similar nature, methods of financing, etc.? The Association Library cannot, of course, keep on hand information of this kind relating to the varied business enterprises in which banks are interested, but a vital part of its work is to know where such information can be found and to direct the inquiring banker to the printed sources or to the man who knows.

It may be the agricultural resources of your district that need development first. You know, of course, in a general way what bankers are doing along those lines, but you could probably glean other suggestions from the Library's large loan collection of articles describing the agricultural activities of banks and bankers' associations. Agricultural credit will be a live topic of discussion again next year, and the A. B. A. Library is the place to send for facts on foreign systems, as well as what has been said for and against their adaptation to American conditions, and the general feasibility of an amortization basis for farm loans.

Perhaps you are not satisfied with the form of mortgage you are using for such loans. Let the Library send you those it has collected, with some general articles on real estate loans and mortgage bonds, which you may want your clerks to read.

You may find that the capacity of your borrowers to use to better advantage the capital they have, could be increased by the adoption of more up-to-date business practices. Books or magazine articles on advertising and selling methods may have been written which you are too busy to know about but to which the A. B. A. Library can refer you and which you can tactfully pass on to your borrower.

Are the credit statements made to your bank by borrowing firms based on bookkeeping systems which make it possible to determine their actual condition? If you feel uncertain about it perhaps the A. B. A. Library can loan you some books on accounting practice that will enable you to suggest changes that will help to insure their solvency.

On bank bookkeeping there is nothing better than the American Institute of Banking study pamphlet, but you may want to know something about cost analysis of bank accounts. The Library has what little has been written on that subject and will loan it to you.

Are the credit methods of your own bank all they should be? If you want to train your clerks in analysis of credit statements or if you want to study credit department methods, write to the A. B. A. Library. No satisfactory book on bank credits exists, but numerous excellent articles and addresses have appeared, and these the Library can supply, with such books as Hagerty's "Mercantile Credits," and the few general books on credit that are available.

Since credit is based on character, study the character forming influences of your community. Remember that credit habits are the result of mental traits which are strongly influenced by what people read. Have a talk with the librarian of your public library and find out what classes of books are being read most, and whether or not the library is as closely related to the business interests of the tax payers as it should be. It will help the librarian to have the business man's point of view and, if you will give the average public library a chance to be useful in a practical business way and stand by it when the question of increased appropriation is raised, you can do more through such an agency to broaden the horizon, stimulate the ambitions and activities, and so raise the credit standards of the people in your town, than you realize until you try it.

Then there are the schools. If you have not tried school savings banks why not send to the A. B. A. Library for facts as to how it has worked out elsewhere and the systems that have been found most practical? If you were asked to talk to High School pupils about banking, to explain money, legal

tender, asset currency, etc.—could you do it? One A. B. A. member recently faced such a request and postponed his talk until he had written to the Library for material which could not be found in his home town library. If school children could have explained to them, in an elementary way, that the bank helps the publisher print their text books, the manufacturer to make and the storekeeper to sell their clothes and shoes; how it is related to the electric light plant and the street cars; and how it is connected in various ways with their parents' business and the town's activities—it would soon serve to relate a community to its banks in a way that would repay any banker for the effort of looking over and working up into a series of such talks the material on money and banking which the A. B. A. Library can send him.

Perhaps there is a traveling library in your State. Have you told your country patrons about it? In North Dakota and Missouri several banks have increased their usefulness and popularity by acting as deposit stations for the State Library Commission and loaning books from traveling libraries. For the larger banks, to whom these suggestions do not apply, these are possibilities in the way of reading lists on timely topics of interest to business men, which can be secured from libraries and kept on the desk of the credit man as a reminder that no business man need make a business blunder or a bad investment for lack of knowledge on the subject.

If you want to raise the credit level of your community by teaching thrift and savings you can get ideas from bank advertisements that have been collected by the A. B. A. Library and from its articles on savings plans and methods of economy.

Either by direct service or by co-operation with other agencies of information the A. B. A. Library can enter into the practical, every-day business affairs of every banker who is wide awake and up to date enough to use it as an adjunct to his business. Try it during the new year.

RULES FOR FARM LOANS BY NATIONAL BANKS.

The Federal Reserve Act gives banks not located in central reserve cities the right to make loans on farm lands up to 50 per cent. of the value, "the total of such loans by any bank not to exceed one-third of its time deposits, and must in no case exceed one-fourth of its capital and surplus."

To make this provision clear the Federal Reserve Board has adopted the following regulation:

"The maximum amount of loans which a national bank may make on real estate shall be limited to an amount not in excess of one-third of its time deposits at the time of making the loan, and not in excess of one-third of its average time deposits during the preceding calendar year, provided, however, that if one-third of such time deposits as of the dates of making the loan or one-third of the average time deposits for the preceding calendar year shall have amounted to less than one-fourth of the capital and surplus of the bank as of the date of the loan, then, in that event, the bank shall have authority to make loans upon real estate under the terms of the act to the extent of one-fourth of the bank's capital and surplus as of the date of making the loan."

A Traveling Library

The A. B. A. Library is a traveling library which loans books, pamphlets, magazine articles and clippings on banking subjects to bankers in every State in the Union.

If you live in New York, telephone for what you want and it will be sent to you by mail or messenger, if you have not time to come to the Library.

If you live elsewhere, the Library can be just as useful to you. Write or telegraph for what you want and it will be sent to you.

The Library loans all that a public library does and much more that such libraries cannot supply. The A. B. A. is the only special library on banking practice in the country, and keeps the kind of banking information that has not been collected in any one place before.

The Library keeps a daily index to financial periodicals and has the most complete record of references to articles on the Federal Reserve system in newspapers, periodicals, books and documents.

The Library service is available to officers and employees of member banks and to students of the American Institute of Banking.

GROUP ORGANIZATION.

Attention was called, last month, to the Library's collection of articles on group organization. In the following excerpts from some of those articles it is interesting to note that more stress is laid upon what bankers can get from group and association meetings than what they can give to them. It is hoped that some member of the Association will write or speak on the subject from the standpoint of what a banker can contribute to such meetings and send a copy of his remarks for the Library files.

RESERVE BOARD DEFERS REGULATION NO. 4.

The Governors of the Federal Reserve Banks have expressed the desire that the operation of Regulation No. 4, which under its terms was to go into effect on January 15th, should be deferred for the present. This regulation relates to statements that member banks would be required to receive from their customers in the future, and the unanimous opinion expressed by the Governors was that it would be desirable and helpful particularly to the country banks in many districts to allow ample time for both member banks and their customers to adjust their methods to these new requirements.

The Board has, therefore, decided that Regulation No. 4 shall not go into effect on January 15th, but that it will be held in abeyance for several months. A definite announcement will be made in due course. It is the desire of the Board to facilitate the operations of the Reserve Banks in any way consistent with the law.

OFFICIAL BADGES.

There are a few of the official badges left over from the Richmond Convention which will be sent to members, who would like them, on request in writing to the General Secretary. Until the supply is exhausted they will be sent out in the order in which applications are received.

LEGAL DEPARTMENT

THOMAS B. PATON • GENERAL COUNSEL

To Limit Damages for Checks Refused through Error.

The following draft of proposed law, with explanatory statement, has been forwarded to all Bankers' Associations in States where legislative sessions will be held during 1915, and is published for the information of members generally:

An Act to limit the liability of a bank for non-payment of a check through error.

Be it enacted, etc.

No bank shall be liable to a depositor because of the non-payment through mistake or error and without malice of a check which should have been paid unless the depositor shall allege and prove actual damage by reason of such non-payment and in such event the liability shall not exceed the amount of damage so proved.

STATEMENT.

The above draft of proposed law, prepared by General Counsel, was approved and recommended to the State Associations by the Executive Council and General Convention of the American Bankers Association at the annual session at Richmond in October, 1914, as desirable for enactment in their respective States. It is designed to correct the unjust rule established by the courts in many States to the effect that if a banker refuses to pay the check of a customer who is a merchant or trader, drawn in favor of a third person, when the drawer has funds on deposit sufficient to pay the same, the banker will be liable to such drawer in an action for substantial damages, without proof of actual damage or any malice on the part of the banker. Some of the courts place the right of the drawer to recover substantial (sometimes called compensatory or temperate) damages, without proving actual damage, on the ground of public policy; others, on the ground that the wrongful act of the banker imputes insolvency, dishonesty or bad faith to the drawer and has the effect of slandering a trader in his business. The courts proceed on the theory that the dishonor of his check necessarily must result in material injury to the drawer and therefore hold that the law will conclusively presume such to be the fact without the necessity of any proof thereof. But the fact is often contrary to the presumption and probably in the majority of instances where a customer's check is refused payment through error, the mistake is promptly corrected, an explanatory letter is written by the banker and no actual damage results to the customer. The application of the rule, therefore, works an injustice to the banker who is often mulcted in damages out of all proportion to the imaginary injury inflicted, not infrequently at the suit of a customer who has been in the habit

of making overdrafts, but in the particular instance has happened to have a small balance to his credit.

The question of the right of a customer to recover damages for dishonor of his check first arose in England in 1830 in *Marzetti v. Williams*, 1 Barn. & Ad. 415. In that case a check for £87 was dishonored through the mistake of a clerk who had failed to credit a deposit made earlier in the day. The check was paid on the following day and no proof of actual damage was made. The court held that the plaintiff, although he may not have sustained a damage in fact, was entitled to recover nominal damages. The original judicial view, therefore, was that nominal damages only would be awarded, unless actual damages are alleged and proved, and this has always been adhered to by the New York courts. Thus in an action against a bank for damages caused by its refusal to pay a check and note of plaintiff where it appeared that the refusal was the result of a clerk's mistake and there was no allegation of special damages, it was held that only nominal damages could be recovered. *T. B. Clark Co. v. Mt. Morris Bank*, 181 N. Y. 533. See, also, *Viels v. Union Nat. Bank*, 101 N. Y. 572; *Citizens Bank v. Importers & Traders Bank*, 119 N. Y. 199.

But in this country the courts generally, with the exception of New York, award substantial damages to a merchant customer whose check has been dishonored, although no actual damage is proved. These courts have followed the English case of *Rolin v. Steward*, 14 Com. B. 595, decided in 1854, in which the ruling in the earlier English case of *Marzetti v. Williams* was discarded and substantial damages held recoverable. In *Rolin v. Steward*, certain checks of a customer aggregating £111 were dishonored because through error a note was not treated as cash in the balance. The customer sued the bank. There was no evidence given that the customer had sustained any special damage. The trial judge told the jury they ought not to limit their verdict to nominal damages but should give the plaintiff such temperate damages as they should judge to be a reasonable compensation for the injury he must have sustained from the dishonor of his checks. The jury returned a verdict for £500 damages. The judges on appeal deemed the sum too large and intimated that the counsel might possibly relieve them from giving an ultimate opinion as to the extent to which the verdict ought to be reduced. The parties ultimately agreed that the verdict should be reduced to £200 and the case was settled accordingly. The case of *Rolin v. Steward*, therefore, is the first in which the rule of law was established that a merchant customer is entitled to substantial damages without proving actual damage and it has afforded the basis for all the subsequent American cases.

Following is a record of the principal cases in the higher courts, showing title of case, when and

by what court decided, the amount of the check or checks dishonored, the cause of dishonor, the amount allowed by the jury and what, if any, reduction was made by the Appellate Court:

effect of carrying costs to the plaintiff while in others the costs go to the defendant and it would be unwise to perpetuate this conflict. Furthermore, there would seem no equity in providing a rule for nom-

Date and Title of Case	Amount of Checks Dishonored	Cause of Dishonor	Amount Allowed by Jury	Amount as Reduced by Appellate Court
1830—Marzetti v. Williams 1 Barn. and Ad. (Eng.) 415	£87	Error of clerk	Nominal	
1854—Rolin v. Steward 14 Com. B. (Eng.) 595	£111	Balance not credited with note	£500	£200
1884—Birchall v. Third National Bank 15 Weekly Notes (Pa.) 174	\$318	Error of bookkeeper	\$1,000	\$600
1889—Paterson v. Marine National Bank 130 Penn. 419	\$1,315.53	Adverse claim to deposit	\$300	Not reduced
1891—Schaffner v. Ehrman 139 Ill. 109	\$249	Error of bookkeeper	\$450	Not reduced
1894—Goos v. Bank of Commerce 39 Neb. 437.	\$804.90	Non-credit of note	\$50,000	New trial
1895—Atlanta National Bank v. Davis 96 Ga. 334	\$12.48	Mistake of Employee	\$200	Not reduced
1896—Svendsen v. State Bank of Duluth 64 Minn. 40	\$42.15 54.60	\$300 note charged to account by mistake	Nominal damages	Reversed on plaintiff's appeal for substantial damages
1900—J. M. James Co. v. Continental National Bank 105 Tenn. 1	\$500.00 54.51 251.76	No excuse offered	\$1	Reversed and held plaintiff entitled to substantial damages
1904—American National Bank v. Morey 80 S. W. (Ky.) 157	\$30	\$150 item mistakenly charged to account	\$500	Not reduced
1910—Western National Bank v. White 131 S. W. (Tex.) 828	\$400	\$112.50 deposit credited to another depositor	Not reported	Reversed because plaintiff not a trader and did not allege and prove special damage
1910—Third National Bank v. Ober 178 Fed. 678	\$50	Clerical error	\$500	Reversed because plaintiff not a trader and verdict should not exceed protest fees and nominal damages
1911—Spearing v. Whitney-Central National Bank 56 So. (La.) 548	\$150 33.75 20. 500.	Erroneous credit to J. Z. instead of J. H. Spearing	Verdict and judgment for defendant bank	Reversed and \$300 awarded by Supreme Court. Plaintiff was a non-trader and proved this damage
1912—Siminoff v. James H. Goodman & Co. Bank 121 Pac. (Cal.) 939	6 checks varying from \$3.75 to \$287.45	Not reported	Judgment for defendant bank	Reversed on theory that bank liable for substantial damages
1912—Reeves v. First National Bank of Oakland 129 Pac. (Cal.) 800	\$100	Signature did not conform to signature card	\$300	No reduction
1913—Winkler v. Citizens State Bank 131 Pac. (Kan.) 597	\$2,000	Cashier believed deposit belonged to third party	\$2,000 deposit \$135 interest \$365 actual damages \$135 exemplary damages	Judgment modified by reducing same \$135
1913—Levin v. Commercial Germania Trust and Savings Bank 63 So. (La.) 601	Check \$5.50	Error as to existence of account	\$30	Not reduced

The above table, of course, affords no indication of the large number of cases terminating in the lower courts in which banks have been compelled to pay unproved damages because of mistake in refusing payment of a good check, in many of which the customer, if put to his proof, could not show any damage.

The effect of the proposed law on this subject, wherever enacted, will be to substitute for the conclusive presumption of substantial damage, a rule of non-liability for erroneous dishonor of a customer's check, except to the extent of actual damage proved. The proposed law does not provide even an award of nominal damages where there is no proof of actual damage because in some States such award has the

inal damages carrying costs because where a depositor has not been injured by the dishonor of his check he should not put his banker to the trouble and annoyance of an action, and if he does so, should pay the costs. The proposed law, therefore, which virtually places the customer who is a merchant or trader on the same footing with a depositor who is a non-trader and which provides a liability of the bank because of erroneous dishonor of a customer's check to the extent of actual damages proved and a non-liability where no injury is shown to result, is deemed fair and equitable to both parties and its enactment in the respective States is recommended.

Proposed Law for Payment of Deposits to Minors.

The following draft of proposed law, with explanatory statement, has been forwarded to State Bankers' Associations in the States where legislative sessions will be held during 1915 and is published for the information of members generally:

An Act relative to the payment of deposits to minors or other persons under disability.

Be it enacted, etc.

Whenever any minor or other person under disability shall make or have credit for a deposit in any bank in his or her name, such bank may pay such money on the check or order of such depositor, the same as in cases of depositors not under disability, and such payment shall be in all respects valid in law.

STATEMENT.

In a majority of States there are statutes which authorize the payment of deposits to minors and other persons under disability, but such statutes do not exist in all the States and in many they only relate to the deposits of minors in savings institutions and do not extend to general deposits subject

to check. In view of the fact that business accounts of minors and other persons under disability in banks and trust companies are not infrequent, it would seem desirable to extend such legislation to all banks in States which have legislation relating to deposits in savings banks only, as well as to procure its enactment in States which have no legislation on the subject.

The foregoing draft of proposed law which has been approved and recommended by the American Bankers Association is presented chiefly by way of suggestion, for the purpose of bringing the subject to the attention of members of the State Bankers' Associations and of law-making bodies in States where legislation on the subject is absent or incomplete, rather than of providing an exclusive form for enactment. In States having legislation on this subject, not only is there a variance in the classes of institutions to which it applies, but there are several different forms in which the legislation is expressed. The draft of law presented is recommended for States which have no legislation on the subject; in States where legislation exists but is incomplete, the extension of such legislation to all banks by amendment of existing provisions may take on a different form.

In the following, an attempt has been made to tabulate the main features of existing legislation:

State Legislation which Authorizes and Validates Payment of Deposit to Minor or Other Person Under Disability.

Blanks indicate no provision. Does not include legislation covering deposits to credit of minor under court order. Nor legislation as to deposits and withdrawals by minors in rural credit unions or co-operative credit associations.

	Institutions specified	By whom deposit made and can be withdrawn	Provision as to guardianship	Other provisions
ALABAMA.....				
ALASKA.....	Banks	By minor or person under disability in his or her name		
ARIZONA.....	Savings banks and savings and loan associations	By married women and minors in their own right		
ARKANSAS.....	Any (savings) bank	By minor		
CALIFORNIA.....	Banks	By or in name of any married woman or minor		
COLORADO.....	Savings banks Banks	By a minor By minor directly	Savings bank may pay "although she or he have no guardian"	
CONNECTICUT.....	Savings banks	By minor		
DELAWARE.....	Any bank, savings bank, savings institution or trust company	By or in name of minor		Bank, savings bank, etc., has right to refuse deposit by or in name of minor. Minor subject in all transactions connected with deposit to same obligations, equities and defenses as if adult
DISTRICT OF COLUMBIA..				
FLORIDA.....	Any savings bank or institution for savings Trust companies	By every person not under guardianship notwithstanding a married woman or minor By or in name of minor or married woman	See preceding column	
GEORGIA.....	Savings banks	By married women and minors in their own names	Not subject to control of husband, parent, guardian or trustee	
HAWAII.....				

	Institutions specified	By whom deposit made and can be withdrawn	Provision as to guardianship	Other provisions
IDAHO.....	Any bank or trust company	By minor, married woman or other person under disability in his or her own name		
ILLINOIS.....				
INDIANA.....	Savings banks	By an alien, minor, or female, being or thereafter becoming a married woman		
IOWA.....	Savings banks	By minor personally. By a woman in her own name then or afterwards married	Savings bank may pay "although he have no guardian or his guardian shall not have authorized such payment"	
KANSAS.....	Banks	By minors		
KENTUCKY.....	Banks	By married woman or minor in her or his name		
LOUISIANA.....	Savings and Safe Deposit and Trust Banks	By married women or minors themselves		
MAINE.....	A bank, institution for savings or trust company	By a married woman or minor		When money deposited in name of minor or female, may, in their discretion, pay to minor or to person making deposit
MARYLAND.....	Any bank, savings institution or trust company	By and in name of minor or female, being or thereafter becoming a married woman		
MASSACHUSETTS.....	Savings banks	In name of minor		May be paid to minor or to person making deposit
MICHIGAN.....	Savings banks	By minor	Savings bank may pay minor, "although he or she have no guardian"	
	Any bank or trust company	By or in name of minor		
MINNESOTA.....	Any bank or savings bank	By or in name of minor		
MISSISSIPPI.....	Banks	By minor or other person under disability in his or her name		
MISSOURI.....	Savings banks	By or in the name of a minor or female, being or thereafter becoming a married woman		
MONTANA.....	Savings banks	By married women and minors in their own right		
NEBRASKA.....	Savings banks	By minor		
NEVADA.....	Savings banks	By minor		
NEW HAMPSHIRE.....	Savings banks and other institutions for savings	To credit of minors and married women		
NEW JERSEY.....	Savings banks	By or in name of minor or female, being or thereafter becoming a married woman		Provided no minor shall withdraw any deposit in his name from any account in which first deposit actually made by any person other than minor without written consent of person making deposit or his legal representative, if any, and if none, without written consent of natural or legal guardian of minor
	Banks and trust companies	By or in name of minor		Additional law (Chap. 53, Laws 1910) makes it lawful for any infant to deposit money with any bank or trust company and withdraw by check or otherwise; also to deposit for collection checks, bills, drafts, etc., and infant subject in all transactions connected therewith to all obligations, equities and defenses the same as an adult
NEW MEXICO.....				
NEW YORK.....	Banks, trust companies and savings banks	By or in the name of minor		

INCLUDING BULLETIN OF THE AMERICAN INSTITUTE OF BANKING

	Institutions specified	By whom deposit made and can be withdrawn	Provision as to guardianship	Other provisions
NORTH CAROLINA.....	Any state or national bank in state	By or in name of minor 15 years of age and upwards		Does not apply to deposit, prior to passage of act, Chap. 750, laws 1907
NORTH DAKOTA.....	Savings banks	By minor personally	"Shall be paid to him although he have no guardian or if he has a guardian, it shall not be necessary to obtain his consent to such payment."	
OHIO.....	Savings banks	By minor		
	Savings and loan associations	By minor		
OKLAHOMA.....				
OREGON.....	Banks, including national banks	By minor or other person under disability in his or her name		
PENNSYLVANIA.....	Banks	By minor or married woman to his or her credit	"Without the assent or approbation of the parent or guardian of such minor or the husband of such married woman;" and made unlawful for parent or guardian of minor or husband or creditors of husband of married woman to attach or interfere with deposit	
	Savings banks	By or in name of minor or female, being or thereafter becoming a married woman		
PHILIPPINE ISLANDS....	Savings and mortgage banks	By married women and minors in their own right and in their own names	Provided if any guardian gives written notice not to pay deposits to minor, payment shall be made only to guardian	
PORTO RICO.....				
RHODE ISLAND.....	Any bank, savings bank or trust company	By every person not under guardianship notwithstanding such person a minor	See preceding column	
SOUTH CAROLINA.....				
SOUTH DAKOTA.....	Banks	By and in name of minor or female, being or thereafter becoming a married woman		
TENNESSEE.....				
TEXAS.....	Savings banks	By or in the name of a minor or female, being or thereafter becoming a married woman		
UTAH.....	Commercial or savings banks	By minors in their own names		
VERMONT.....	Savings bank, savings institution or trust company	Deposit to credit of minor		Minor's deposit exempt from trustee process, provided funds earned by or belong to minor
VIRGINIA.....	Banks	By or in name of any infant or minor		
WASHINGTON.....	Banks	By minor, married woman, or other person under disability in his or her own name		
	Trust companies	By or in name of minor		
WEST VIRGINIA.....	Savings banks	By minor or married woman, whether deposit made before or after marriage	Savings bank may pay "without assent of parent or guardian of minor or husband of such married woman." Whenever it appears "unwise or injurious to the interests of a minor to pay upon his or her application" the board of trustees "may demand written order to make payment from parent or guardian;" and if no parent or guardian, may require order from circuit court in which minor resides	

	Institutions specified	By whom deposit made and can be withdrawn	Provision as to guardianship	Other provisions
WISCONSIN.....	Banks	By and in the name of a minor or female, being or thereafter becoming a married woman		
WYOMING.....	Savings bank associations	By any minor personally	Directors may pay, "although no guardian shall have been appointed for such minor, or the guardian of such minor shall not have authorized the drawing of the same"	

Opinions, Legislation and Regulations Relative to the Federal Reserve Act.

Withdrawal by State Banks from Membership in Federal Reserve Banks.

The opinion of General Counsel has been requested upon the question whether a State bank or trust company which has become a member of a Federal Reserve Bank can, otherwise than by voluntary liquidation, withdraw from membership in the Federal Reserve Bank, should such withdrawal be deemed desirable for its business interests; for unless such right of withdrawal exists, its absence is deemed an obstacle to State banks and trust companies becoming members of the Federal Reserve Bank.

The act nowhere by express provision gives this right of withdrawal to a State bank member. A member bank, whether State or national, can voluntarily liquidate, surrender its stock and receive payment therefor under regulations to be prescribed by the Federal Reserve Board (Sec. 5); or if a member bank is declared insolvent and a receiver is appointed, its stock in the Federal Reserve Bank will be cancelled and payment therefor made to the receiver as provided in the act (Sec. 6); or if a State bank member fails to comply with the provisions of Section 9 governing State banks as members or with the regulations of the Federal Reserve Board, such Board is given power to compel surrender of its stock and make repayment therefor, suspending said bank from privileges of membership, and may afterwards restore membership, as provided in that section. But while the act, as shown, contains provisions under which a national or State bank member may withdraw from the System through voluntary liquidation or will necessarily drop out when it becomes insolvent or, if a State bank member, may be virtually expelled or suspended by the Federal Reserve Board for non-compliance with requirements, there is no provision in the act which applies to or covers the situation where a solvent State bank member, without the necessity of going into liquidation, might desire to return its stock and leave the System.

The act was drawn primarily, it would seem, with the national banks in mind, on the theory that they must become and remain members so long as they continued in business and, of course, no provision for withdrawal of solvent national bank mem-

bers was called for or required consideration; the provisions relating to surrender of stock in case of liquidation and cancellation of stock in event of insolvency were all-sufficient. But it is not clear when the provisions were inserted for the admission of State banks and trust companies on the same footing of membership as national banks, whether it was the intention of Congress to apply this theory of non-withdrawal, except through liquidation, to the State institutions or whether the question of their right of withdrawal was not given consideration. The subject may not have been considered at all or it may have been the intention of Congress that, having once joined the System, a State institution could not surrender its stock and withdraw. Congress has expressly provided in Section 5 that "shares of the capital stock of Federal reserve banks owned by member banks shall not be transferred or hypothecated," and the omission of any provision specifically permitting State banks to surrender their stock may be indicative of an intention that such stock cannot be surrendered except through liquidation.

The act contains provisions empowering the Organization Committee in the event stock subscriptions by banks are deemed insufficient, to allot certain stock to the United States and also to permit subscriptions to a limited amount by individuals, co-partnerships or corporations other than banks, to be known as public stock, such stock to be transferable on the books. But the contingency for the exercise of these provisions did not arise and they throw little light on the question we are considering except that they indicate a purpose of Congress that where stock was to be subscribed other than by banks, the stockholder would have a right to relinquish stock ownership by transferring his stock and it would have been open to State banks and trust companies to purchase this stock from the original holders, without, however, having the privileges of member banks.

The act being destitute of any express provision permitting State bank and trust company members to surrender their stock and withdraw from the Federal Reserve Bank, it remains to be considered whether there is anything in the act which would authorize or empower the Federal Reserve Board to make rules and regulations permitting and governing withdrawals by solvent State bank and trust company members. If such power can be found in the Act, it would negative the conclusion that Congress intended by omission of express provision, to deny the right of withdrawal; otherwise it must follow that, no right of withdrawal being expressly

provided in the Act nor authority to confer such right being vested in the Federal Reserve Board, the right does not exist.

Such power in the Federal Reserve Board, if it exists at all, would be found in Section 9, which provides for membership by State banks and trust companies and the requirements of such membership. Under that section a State bank may apply for the right to subscribe to stock of the Federal Reserve Bank and the Federal Reserve Board "under such rules and regulations as it may prescribe subject to the provisions of this section may permit the applying bank to become a stockholder," and upon such permission "stock shall be issued and paid for under the rules and regulations of this act provided for national banks which become stockholders in Federal Reserve Banks." Further, the Federal Reserve Board "shall establish by-laws for the general government of its conduct in acting upon applications made by the State banks and banking associations and trust companies" and "such by-laws shall require applying banks not organized under the Federal law to comply with the reserve and capital requirements and to submit to the examination and regulations prescribed by the . . . Federal Reserve Board." The section provides capital requirements on a par with those of national banks and requires conformity to certain provisions of law imposed on the national banks. The section further provides that if it shall appear to the Federal Reserve Board that a member bank has failed to comply with the provisions of this section or the regulations of the Federal Reserve Board, it shall be within the power of said Board, after hearing, to require surrender of its stock in the Federal Reserve Bank, upon which the cash paid subscriptions shall be returned, with certain prescribed adjustments, and the Federal Reserve Bank, upon notice from the Board, is required to suspend the bank from further privileges of membership and within thirty days cancel and retire its stock and make payment therefor in the manner provided. The Board may restore membership upon proof of compliance with the conditions imposed by Section 9.

There does not seem to be anything in Section 9, as above shown, which would give the Federal Reserve Board power to make rules and regulations permitting the withdrawal of a State bank or trust company member and providing for the return and cancellation of its stock and repayment therefor. There is a power of expulsion, but this only on condition that a State bank member has failed to comply with the law. It might be possible for a State bank which desires to withdraw to adopt the expedient of non-compliance with some requirement of the law and seek compulsory ejectment, but this is not the question under consideration. There is certainly nothing in those provisions of the section which gives the Federal Reserve Board power to require a State bank member to surrender its stock upon non-compliance with the law, which could be construed as giving it power to permit the surrender of stock and withdrawal by solvent State bank members when the law is fully complied with.

Nor do those provisions which authorize the Federal Reserve Board to provide regulations and

establish by-laws in connection with applications for membership of State banks and trust companies contain any grant of power to include in such regulations a provision for accepting a form of application from a State bank conditioned upon its right of withdrawal at any time by return of its stock. The power is simply to prescribe rules and regulations subject to the law under which the Board may permit an applying State bank to become a stockholder and to establish by-laws for the general government of its conduct in acting upon applications by State banks and trust companies for stock ownership and this, I think, cannot be construed as conferring the implied power to make rules and by-laws under which an applying State bank can condition its subscription with a right of withdrawal. Apart from any abstract considerations as to the legality of a governing board giving one class of stockholders preferential rights of withdrawal and return of stock not possessed by all the stockholders in common, any such implication of power would seem to be expressly excluded by the provision in Section 9 that whenever the applying bank is permitted to become a stockholder "stock shall be issued and paid for under the rules and regulations in this act provided for national banks which become stockholders in Federal Reserve Banks." The law, therefore, provides for treating all shareholders alike and as stock issued and paid for by a State bank must be under the same rules and regulations as provided for national banks and as no rules permitting withdrawals can be framed for national banks, it would seem clear that the Federal Reserve Board would have no power or authority to provide rules and regulations under which solvent State banks could surrender their stock and withdraw from the Federal reserve banks.

State banks and trust companies are, of course, the creations of State laws which define and limit their powers and in some of the States enabling statutes have been passed giving such banks the power to subscribe to stock in the Federal Reserve Bank; but the States could not, of course, provide any conditions as to withdrawal which would be binding on the Federal reserve banks and as the Federal Reserve Act does not provide for such withdrawals nor is there in the Act any power or authority given the Federal Reserve Board to permit withdrawals by solvent State bank members, the conclusion would seem to follow that if a State bank or trust company once joins the system by subscribing to its stock, it cannot withdraw except through voluntary liquidation and closing up of its affairs or by provoking an expulsion by non-compliance with the requirements of the Federal Reserve Act which, of course, is not to be considered. If, therefore, it is desirable that State bank members should have the right to surrender their stock and withdraw after once entering the System, it would seem that the only way to effect this would be by amendment of the Federal Reserve Act.

Acceptances Based on Exports and Imports.

The bill, H. R. 15038, relative to acceptances, introduced by Mr. Glass on March 25th and which passed the House with certain amendments on De-

ember 8th, was read in the Senate on December 10th and referred to the Committee on Banking and Currency, from which it has not as yet been reported. The purpose of this bill is to authorize the Federal Reserve Board in its discretion to increase the amount of acceptances based on the importation and exportation of goods which a member bank of the System may discount and which a Federal Reserve Bank may rediscount. Under the present law (Sec. 13 F. R. Act) a member bank may accept drafts based on the importation or exportation of goods only to an amount not exceeding one-half its paid-up capital and surplus and the Federal Reserve Bank may rediscount no greater amount for the member bank. The House Committee on Banking and Currency when reporting the measure, stated that there are quite a number of large State banks and trust companies engaged in financing the export trade of the United States which desire to become members of the Federal Reserve System but are deterred by the restrictions of Section 13 and that it is believed by the Federal Reserve Board to be extremely desirable to have these State banks and trust companies come into the system, which they will do if the Act is amended as proposed. The Committee also stated that it concurred in the opinion of the Federal Reserve Board that the adoption of this amendment will greatly aid at this time the export trade of the United States. Following is a copy of H. R. 15038 as referred to the Senate Banking and Currency Committee on December 10th, the words in *italics* indicating the proposed amendments:

An act proposing an amendment to the Federal Reserve Act relative to acceptances, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section thirteen, paragraphs three, four, and five, of the Act approved December twenty-third, nineteen hundred and thirteen, known as the Federal Reserve Act, be amended and re-enacted so as to read as follows:

"That any Federal Reserve Bank may discount acceptances which are based on the importation or exportation of goods and which have a maturity at time of discount of not more than three months and indorsed by at least one member bank. The amount of acceptances so discounted shall at no time exceed one-half the paid up and *unimpaired* capital stock and surplus of the bank for which the rediscounts are made, *except by authority of the Federal Reserve Board under such general regulations as said board may prescribe.*

"The aggregate of such notes and bills bearing the signature of (or) indorsement of any one person, company, firm, or corporation rediscounted for any one bank shall at no time exceed ten per centum of the unimpaired capital and surplus of said bank, but this restriction shall not apply to the discount of bills of exchange drawn in good faith against actually existing values.

"Any member bank may accept drafts or bills of exchange drawn upon it and growing out of transactions involving the importation or exportation of goods having not more than six months' sight to run, but no bank shall accept such bills to an amount equal at any time in the aggregate to more than one-half of its paid-up and *unimpaired* capital stock and surplus, *except by authority of the Federal Reserve Board, under such general regulations as said board may prescribe.*"

Passed the House of Representatives, December 8, 1914.

Attest:

SOUTH TRIMBLE,
Clerk.

Reserves and Clearances.

The bill S. 6505 introduced on September 16th to amend sections 11 and 16 of the Federal Reserve Act by permitting member banks to carry any portion of their reserves now required to be kept in their own vaults with the Federal Reserve Bank in their district and also by authorizing the Secretary of the Treasury to put in operation a system of clearances of national bank notes between the Treasury, the Federal reserve banks and the member banks and for that purpose to designate Federal reserve banks as agents of the United States, after passing the Senate, was reported from the House Committee on Banking and Currency on September 24th with certain amendments and on December 8th, the House after agreeing to the amendments, recommitting the bill to the Committee. In reporting the bill on September 24th the House Committee stated that its enactment was urgently recommended by the Federal Reserve Board and the Treasury Department upon the ground that the measure will greatly facilitate and amplify the relief which the Federal Reserve System is expected to afford the business interests of the country in the existing financial emergency.

Interlocking Directorates of Banks.

The following opinion was rendered to the Federal Reserve Board by M. C. Elliott, its counsel, on November 21, 1914, and released for publication December 6th:

Subject: Interpretation of Section 8 of the Act approved October 15, 1914.

A number of letters have been received from bankers and others asking for an interpretation of Section 8 of the Act approved October 15, 1914, and generally referred to as the "Clayton Act." Section 8 reads as follows:

"That from and after two years from the date of the approval of this Act no person shall at the same time be a director or other officer or employee of more than one bank, banking association or trust company, organized or operating under the laws of the United States, either of which has deposits, capital, surplus, and undivided profits aggregating more than \$5,000,000, and no private banker or person who is a director in any bank or trust company, organized and operating under the laws of a State, having deposits, capital, surplus, and undivided profits aggregating more than \$5,000,000, shall be eligible to be a director in any bank or banking association organized or operating under the laws of the United States. The eligibility of a director, officer or employee under the foregoing provisions shall be determined by the average amount of deposits, capital, surplus, and undivided profits as shown in the official statements of such bank, banking association, or trust company filed as provided by law during the fiscal year next preceding the date set for the annual election of directors, and when a director, officer, or employee has been elected or selected in accordance with the provisions of this Act it shall be lawful for him to continue as such for one year thereafter under said election or employment.

"No bank, banking association or trust company organized or operating under the laws of the United States in any city or incorporated town or village of more than two hundred thousand inhabitants, as shown by the last preceding decennial census of the United States, shall have as a director or other officer or employee any private banker or any director or other officer or employee of any other bank, banking association or trust company located in the same place:

Provided, That nothing in this section shall apply to mutual savings banks not having a capital stock represented by shares: *Provided*, further, That a director or other officer or employee of such bank, banking association, or trust company may be a director or other officer or employee of not more than one other bank or trust company organized under the laws of the United States or any State where the entire capital stock of one is owned by stockholders in the other; And *Provided* further, That nothing contained in this section shall forbid a director of Class 'A' of a Federal reserve bank, as defined in the Federal Reserve Act, from being an officer or director or both an officer and director in one member bank.

"That from and after two years from the date of the approval of this Act no person at the same time shall be a director in any two or more corporations, any one of which has capital, surplus, and undivided profits aggregating more than \$1,000,000, engaged in whole or in part in commerce, other than banks, banking associations, trust companies and common carriers subject to the Act to regulate commerce, approved February fourth, eighteen hundred and eighty-seven, if such corporations are or shall have been theretofore, by virtue of their business and location of operation, competitors, so that the elimination of competition by agreement between them would constitute a violation of any of the provisions of any of the anti-trust laws. The eligibility of a director under the foregoing provision shall be determined by the aggregate amount of the capital, surplus, and undivided profits, exclusive of dividends declared but not paid to stockholders, at the end of the fiscal year of said corporation next preceding the election of directors, and when a director has been elected in accordance with the provisions of this Act, it shall be lawful for him to continue as such for one year thereafter.

"When any person elected or chosen as a director or officer, or selected as an employee of any bank or other corporation subject to the provisions of this Act is eligible at the time of his election or selection to act for such bank or other corporation in such capacity his eligibility to act in such capacity shall not be affected and he shall not become or be deemed amenable to any of the provisions hereof by reason of any change in the affairs of such bank or other corporation from whatsoever cause, whether specifically excepted by any of the provisions hereof or not, until the expiration of one year from the date of his election or employment."

It will be observed that paragraph one and paragraph three each begins, "That from and after two years from the date of the approval of this Act," while paragraph two contains no such provision. The question has accordingly been raised whether or not paragraph two becomes immediately effective or after the expiration of two years from the approval of the Act. An analysis of this section will show that paragraph one and paragraph two both deal with the question of qualification of directors serving on the Boards of banks organized under the laws of the United States, while paragraph three has reference to corporations engaged in whole or in part in commerce and to common carriers.

Paragraph one and paragraph three each begins with the word "That" which introduces the grammatical object of the enacting phrase, and as the second paragraph has no such introductory word and deals with the same general subject matter as paragraph one, it seems entirely clear that paragraphs one and two constitute one enactment and that the provisions of paragraph two become effective at the same time as the provisions of paragraph one—

namely, two years after the passage of the Act. This view is borne out by an analysis of paragraphs one and two.

Paragraph one provides in effect that no person shall at the same time be a director, officer or employee of more than one bank organized or operating under the laws of the United States, if such person is a director, officer, or employee of a bank having aggregate resources of more than five million dollars. If such person is a director, officer or employee of a State bank having aggregate resources of more than five million dollars, he shall not be eligible to serve as a director, officer or employee of any bank organized or operating under the laws of the United States.

Paragraph two provides in effect that no person shall be a director in a bank organized under the laws of the United States and located in a city of more than two hundred thousand inhabitants if such person is a director of any other bank, banking association or trust company located in the same place. There are certain exceptions to this provision, namely:

- (a) Mutual savings companies having no capital stock are excluded.
- (b) Class "A" directors of Federal reserve banks may serve as directors of other banking institutions in the same place.
- (c) A director, officer or employee of one banking association in such city may be a director, officer or employee of not more than one other bank or trust company organized under the laws of the United States where the entire capital of one is owned by stockholders in the other.

It will therefore be observed that these two paragraphs relate to the question of what persons are eligible to serve on the Board of Directors of a bank organized under the laws of the United States, or to serve in, the capacity of officer or employee of such bank.

This being a Federal statute it cannot, of course, relate to the qualifications of State bank directors but merely provides that persons who are directors of State banks under certain conditions shall be ineligible to serve as directors of banks organized under Federal law, and since both paragraphs relate to this one subject, there would seem to be no justification for treating them separately as there is nothing to indicate that they constitute two separate enactments.

Respectfully,

(Signed) M. C. Elliott, Counsel.

Hon. Charles S. Hamlin, Governor.

The following opinion was rendered to the Federal Reserve Board by F. A. Reeve, Acting Solicitor of the Treasury, on November 24, 1914, and released for publication December 3, 1914:

Referring to the so-called "Clayton Law," approved October 15, 1914, regarding monopolies, etc., I am requested to advise you whether the words "from and after two years from the date of the approval of" the said act, apply to paragraph 2 of Section 8.

In other words, Mr. Robert W. Webb, Vice-President of the Minneapolis Trust Company, inquires of your Board by letter dated the 20th instant, whether a director of the company is eligible to serve as a director of a national bank not having common ownership of stock, until the expiration of two years

after the approval of the act. And if so, may he not further serve for such time thereafter as would constitute the unexpired part of one year from the date of his election?

The first paragraph provides:

"That from and after two years from the date of the approval of this act no person shall at the same time be a director or other officer or employee of more than one bank, banking association, or trust company, organized or operating under the laws of the United States, either of which has deposits, capital, surplus, and undivided profits aggregating more than \$5,000,000, and no private banker or person who is a director in any bank or trust company, organized and operating under the laws of a State, having deposits, capital, surplus, and undivided profits aggregating more than \$5,000,000, shall be eligible to be a director in any bank or banking association organized or operating under the laws of the United States."

This paragraph further provides that:

"... when a director, officer, or employee has been elected or selected in accordance with the provisions of this act it shall be lawful for him to continue as such for one year thereafter under said election or employment."

Paragraph 2 of said section provides that:

"No bank, banking association, or trust company, organized or operating under the laws of the United States, in any city or incorporated town or village of more than 200,000 inhabitants, as shown by the last preceding decennial census of the United States, shall have as director or other officer or employee any private banker or any director or other officer or employee of any other bank, banking association, or trust company located in the same place: *Provided*, That nothing in this section shall apply to mutual savings banks not having a capital represented by shares: *Provided*, further, That a director of other officer, or employee of such bank, banking association, or trust company may be a director or other officer or employee of not more than one other bank or trust company organized under the laws of the United States, or any State where the entire capital stock of one is owned by stockholders in the other; and provided further, That nothing contained in this section shall forbid a director of Class A of a Federal reserve bank, as defined in the Federal Reserve Act, from being an officer or director or both an officer and director in one member bank."

The last paragraph of Section 8 directs that:

"When any person elected or chosen as a director or officer or selected as an employee of any bank or other corporation subject to the provisions of this act is eligible at the time of his election or selection to act for such bank or other corporation in such capacity, his eligibility to act in such capacity shall not be affected and he shall not become or be deemed amenable to any other provisions hereof by reason of any change in the affairs of such bank or other corporation from whatever cause, whether specifically excepted by any of the provisions hereof or not, until the expiration of one year from the date of his election or employment."

From the facts stated and in accordance with any interpretation of the statute, I am of the opinion that the two years' limitation mentioned in the first paragraph of Section 8 of the Act applies also to the second paragraph, and that a director of the said trust company is eligible to serve as a director of a national bank not having common ownership of stock, until the expiration of two years after the approval of the

Act; and that by authority of the last paragraph above quoted, he is eligible to further serve for such time thereafter as constitutes the unexpired part of one year from the date of election.

I am of the opinion also that the statute will fairly bear the liberal interpretation that it was intended that paragraphs 1 and 2 should be read together in order that the existing arrangements might not be subject to sudden and inconvenient changes; and that the first paragraph as to eligibility to serve as a director in two institutions whose deposits, capital, etc., exceed \$5,000,000, be modified by the second in the case of institutions the stock of one of which is wholly owned by the stockholders in the other.

I am further of the opinion that it was the intention of Congress that the first two paragraphs of Section 8 as to banks whose deposits, capital, surplus, etc., aggregate more than \$5,000,000, and as to all banks in cities of over 200,000 population, the provisions as to time of the act taking effect, mutual savings banks, common stock ownership and Federal reserve banks, should apply alike.

The letter of Mr. Webb is herewith returned.

Very respectfully,

(Signed) F. A. Reeve,
Acting Solicitor.

Calculation of Reserve by Member Banks.

The following regulation was issued by the Comptroller of the Currency on November 24, 1914, addressed to the cashiers of member banks:

In reference to the form for calculating reserve issued November 16, 1914, you are advised that—

(1) This form is for your guidance in calculating reserve under Section 19 of the Federal Reserve Act, as amended, which went into effect upon the opening of the Federal Reserve Banks on November 16, 1914.

(2) Section 5191 U. S. R. S. requires reserves to be held by national banks against the aggregate amount of their deposits. Section 14 of the Act of May 30, 1908, which amended this section and exempted the deposits of public moneys of the United States in designated depositories from the reserve requirements, was repealed by Section 27 of the Federal Reserve Act. Therefore the national banks are now required to carry reserve against such deposits, and in calculating the reserve all deposits of public moneys must be included in item 4 of the aforesaid circular sent you by direction of the Secretary of the Treasury under date of November 16, 1914.

In other words, no deposits are now exempt from reserve requirements, and the lawful reserve must also be maintained against all United States deposits, including postal savings funds, deposits of United States disbursing officers, Canal Zone and Philippine deposits, and all other Government funds.

(3) Section 19 of the Federal Reserve Act provides that in estimating reserve the net balance of amounts due to and from other banks shall be taken as the basis for ascertaining the aggregate deposits against which reserves shall be maintained.

(4) If the amount carried with reserve agents exceeds the amount which the law permits to be counted as reserve with such agents, such excess may

be counted as "due from banks" and added to the amount due "from banks other than reserve agents" as a deduction from the amount "due to banks" in calculating the reserve. This necessitates, of course, a further computation.

(5) The 5 per cent. redemption fund deposited by your bank with the Treasurer of the United States cannot be counted as part of your lawful reserve. (Section 20, Federal Reserve Act.)

(6) National bank notes are not to be treated as an offset, and are not to be taken into consideration in any way in the computation of your reserve.

Maximum of Loans by National Banks Upon Real Estate.

The Comptroller of the Currency has issued the following circular letter to the cashiers of national banks under date of December 29, 1914:

In a circular letter from this office, dated April 15, 1914, you were advised that, in accordance with Section 24 of the Federal Reserve Act, national banks not situated in a Central Reserve City were authorized to make loans secured by real estate, provided they conformed to the requirements of the law, including the following:

- "1. Real estate security must be farm land;
- "2. It must be improved;
- "3. There must be no prior lien;
- "4. Property must be located in the same Federal reserve district as the bank making the loan;
- "5. The amount of the loan must not exceed 50 per cent. of the actual value of the property upon which it is secured;
- "6. The loan must not be for a period longer than five years;
- "7. The total of such loans by any bank must not exceed one-third of its time deposits and must in no case exceed one-fourth of the capital and surplus of the bank."

You were subsequently informed by circular letter that as it had been claimed that there was a possible ambiguity in the language of the act so far as the limitation upon the amount of real estate loans which can be made by national banks is concerned, the Comptroller, with the unanimous concurrence of the Reserve Bank Organization Committee, had determined that it would be best that national banks should observe the minimum limit in the matter of such real estate loans until the Federal Reserve Board should have had the opportunity of fully considering and interpreting the language relating to the limitation on such loans.

You are now advised that the Federal Reserve Board has, after careful consideration, decided that the language of the act justifies the board in making a regulation that:

"The maximum amount of loans which a national bank may make on real estate under the terms of Section 24 of the Federal Reserve Act shall be limited to an amount not in excess of one-third of its time deposits at the time of the making of the loan, and not in excess of one-third of its average time deposits during the preceding calendar year: *Provided*, however, that if 'one-third of such time deposits' as of the date of making the loan, or 'one-third of the average time deposits for the preceding calendar year,' shall have amounted to less than 'one-fourth of the capital and surplus of the bank' as of the date of the loan, then, in that event, the bank shall have

authority to make loans upon real estate under the terms of the act to the extent of 'one-fourth of the bank's capital and surplus' as of the date of making the loan."

You are requested to substitute the foregoing regulation for requirement number 7 in the circular letter of April 15, 1914, above mentioned.

Recent Rulings Under the Emergency Revenue Act.

Judgment Notes.

Where judgment notes, so-called, contain a clause authorizing any attorney-at-law to confess judgment in favor of the holder of the note, such authorization is held not taxable as power of attorney in addition to the tax required on the judgment note as a promissory note. The instrument is held to be a warrant of attorney instead of a power of attorney. (*Treat, Collector v. Tolman*, 113 Fed. Rep. 892.) Any ruling to the contrary is hereby revoked.*

Simply crediting interest quarterly on a note is not considered a renewal of the note.

(December 8, 1914.)

Powers of Attorney for Transfer of Stocks and Bonds.

Does the tax of 25c. imposed in Schedule "A" on powers of attorney "to transfer any stock" apply to the power of attorney to transfer stock on the books of the corporation embodied in the form of assignment of stock which is in common use and printed on the back of the stock certificate?

In Treasury Decision 2056 it was held that, where such a blank form of power was filled in with the name of the Secretary, it was a mere formal power authorizing the Secretary to do what would be his duty in any event if no power of attorney appeared upon the certificate.

Where the owner of a certificate of stock executes the assignment printed on the reverse thereof and the stock is delivered, the registry of the transfer on the books of the corporation is in substance a purely corporate act, in which neither the former owner nor the new, is required, or ordinarily does, participate and that the power of attorney included in the ordinary form of assignment of stock does not authorize or empower any person to do anything which could not be done or compelled to be done on a pure assignment unaccompanied by a power of attorney.

This same question has arisen with respect to the combined assignment and power of attorney printed on the reverse of bonds. It is held, therefore, that the pro forma power of attorney to transfer bonds or stock on the books of the corporation embodied in the assignment printed on the back of the bond or stock certificate is not subject to the tax.

(December 9, 1914.)

Schedule "A"—Certificates.

With reference to that provision of Schedule "A" of the Internal Revenue Act of October 22, 1914, which provides that "certificates of any description required by law not otherwise specified in this Act" are subject to a tax of ten cents, this office holds that the

* This reverses ruling to the contrary published in JOURNAL, for December, at page 377.

first requirement necessary to subject any given certificate thus generally described to tax, is that it shall be one which is required to be given by law—national, State or municipal. That is, the issuance of the certificate must be mandatory under conditions or circumstances prescribed by law, or it must be one which the individual is expressly authorized to demand and receive. All such certificates are taxable except those which are given strictly in the exercise of the functions—governmental, taxing, or municipal—of the Government, State, or other political subdivision.

It is further held that certificates which are not required by express statute, but are required by regulations of this, or any other Executive Department, although such regulations ordinarily have the force and effect of law, are not certificates required by law within the meaning of the said Act, it being held by this office that Congress did not intend to authorize Government Departments to extend taxation by multiplying regulations. Income tax certificates, drawback certificates, and various other certificates required by regulations are, therefore, not taxable.

A simple acknowledgment or jurat before a notary public, or other officer authorized to administer oaths, is not taxable.

Certificates required by law issued by any Department or officer of the Government at the request of private persons, solely for private use, should be stamped.

Certificates of national banks specifically required by statute to be rendered to the Comptroller of the Currency are taxable.

Certificates issued by state or municipal officers showing the authority of the person before whom an instrument is attested are taxable.

Warehouse certificates, if required by law, are taxable.

A certificate of title or search carrying with it a guaranty of title and assuming liability for any loss incurred through a flaw in the title, is held to be a bond of insurance, and subject to a tax of one-half of one cent on each dollar charged for its guaranty provision.

A certificate of search showing that the docket or records of a court have been searched, and showing either that liens exist or do not exist as to the property, or that judgments are recorded or are not recorded, and also certificates of search to ascertain whether or not titles are good, whether taxes have been paid, and other certificates of this character are not such as are required in the general discharge of governmental functions on the part of the officers giving them, but are such as are needed for private use and private interests, and are, therefore, subject to tax if the law requires they shall be issued upon demand therefor; otherwise exempt.

Documentary stamps should be affixed to certificates, or other instruments, issued for private use, prior to their delivery; such stamps to be furnished by the parties applying for such certificates or instruments.

From among many certificates concerning which inquiry has been made, especial reference is made to the following, which under the conditions stated, this office holds are exempt.

Certificates for Use of the Government (Federal, State or Local).

Such certificates are exempt, for example, certificates of officers of the United States, or any State, County, Town, municipal corporation, or other corporation exercising the taxing power, given in the discharge of official functions necessary in carrying on the machinery of the government; certificates of election; certificate of court officer, under direction and authority of the Court, and which is necessary to give proper effect to the Court proceedings; Court processes, such as summonses, writs of attachments, subpoenas, warrants, orders of the Court, etc.; returns or reports made to the Government for its own use, such as income and special tax returns, applications for licenses, reports made to the Interstate Commerce Commission, reports made to the Comptroller of the Currency, and to other branches of the Federal or State Governments for governmental purposes or use; certificates issued at tax sale or certificates of redemption from tax sales.

(December 11, 1914.)

Bonds and Certificates in Legal Proceedings.

You request to be advised as to the line of demarcation between bonds which are required in legal proceedings and bonds which are taxable.

In reply you are informed that bonds given by court officers under direction or authority of the court, to give proper effect to court proceedings and [which are] practically a part of the record of a suit or proceedings in court are not taxable.

Bonds given in cases of appeal are not taxable. Bonds given by executors, administrators, guardians and receivers appointed by the court are bonds required in legal proceedings and are not taxable.

Letters of administration are not taxable.

Certificates issued by the Register to administrators showing that they have been appointed administrators are not taxable.

Certificates by the Register to accounts filed in his office, which certified copies are presented to the Court, are not taxable.

(December 14, 1914.)

Interest Coupons from Principal Notes Secured by Mortgages.

This office is in receipt of your letter of December 12, 1914, requesting information as to whether an interest coupon in the described form, when physically attached to, or detached from, the principal note secured by a mortgage, is subject to tax under the provisions of the Internal Revenue Act of October 22, 1914, the said form being as follows:

\$..... Illinois.....
On promise to pay to
the order of
..... Dollars, being annual interest due on principal note of \$.....
of even date herewith, with interest at 7 per cent.
after due, and reasonable attorney's fees in case of
suit hereon.
No.....

You also ask whether an interest coupon when attached to, or detached from, the principal note se-

cured by a mortgage is subject to the said tax when in the following form:

Chicago, Illinois.

\$.....
Due to the order of
..... Dollars, in gold coin of
the United States of America, of the present or an
equal standard of weight and fineness, on the
day of A. D. (Without grace), at the of-
fice of The Trust Company, Chicago,
with interest after maturity until paid, at the rate of
.....per centum per annum, being for an install-
ment of interest due on that day upon
principal Promissory Note for the
sum of \$..... of the same date and payable to the
same order as this interest note,
after secured by Trust Deed upon
Real Estate in Cook County, Illinois.

.....
Interest Note No.

In reply, you are advised that the first note,* be-
ing a definite promise to pay, given by one person to
another, is held to be a promissory note and subject
to tax as such, whether attached to or detached from
the principal note. It is held that the second note is,
in effect, merely a due bill, and exempt from taxa-
tion.

(December 16, 1914.)

Safe Deposit Receipts.

This office is in receipt of your letter of the 11th
instant, asking whether a Safe Deposit Company is
obliged to affix a stamp to the receipt which it issues
to depositors of valuables, and submitting forms of
certificates of deposit used.

In reply, you are informed that these certificates
of deposit are not subject to tax under the Internal
Revenue Act of October 22, 1914.

(December 17, 1914.)

Detached Powers of Attorney to Transfer Stock.

This office is in receipt of your letter of the 14th
inst. asking for a ruling under Schedule A of the Act
of October 22, 1914:

Your letter reads:

"Referring to Treasury Decision No. 2085 regard-
ing Powers of Attorney for transfer of stocks and
bonds, in which it has been held—

'that the pro forma power of attorney to trans-
fer bonds or stocks on the books of the corpo-
ration embodied in the assignment printed on
the back of the bonds or stock certificates is not
subject to the tax,'

we beg to inquire whether this will also apply to a
Detached Power of Attorney to transfer stocks on
the books of the corporation, commonly used for

* But see ruling of December 24th, post, quoting decisions
of U. S. Supreme Court that coupons attached to bonds
although in the form of promissory notes are not taxable.
This reverses previous inconsistent rulings and holds that
coupons or interest notes, attached to and forming part
of the bond or principal note, are not taxable although in the
form of promissory notes.

transmission in the mail, as Treasury Decision No.
2085 refers entirely to assignment printed on the back
of bond or stock certificate."

In reply you are advised that the detached As-
signment with pro forma Power of Attorney to trans-
fer stock on the books of a corporation is not sub-
ject to the tax.

(December 19, 1914.)

Coupons or Interest Notes Attached to Bond or Prin- cipal Note.

Replying to your letter of the 19th instant, sub-
mitting brief relative to the taxability of interest
coupons attached to bonds, which coupons are in the
form of promissory notes, you are advised that the
Supreme Court decisions quoted in your letter,
namely,

Kenosha v. Lamson, 9 Wall. U. S. 477;

Lexington v. Butler, 14 Wall. 282-297;

have been examined and appear to sustain your con-
tention that coupons attached to bonds are a part of
the bond and are not separately subject to tax even
though in the form of promissory notes. It is, there-
fore, held that coupons or interest notes attached to
and forming part of the bond or principal note are
not subject to tax as promissory notes even though
they are in the form of promissory notes. Any
rulings heretofore made inconsistent with this are
hereby revoked.

(December 24, 1914.)

Circulation Based on Commercial Paper.

The bill introduced by Senator Owen on Au-
gust 27, 1914 (S. 6398) intended to enable national
banks to issue a larger proportion of circulation
based on commercial paper, which after being amend-
ed passed the Senate on September 11th, was further
amended in the House and on December 8th passed
that body. As passed by the Senate, the bill amended
the National Banking laws by increasing the limit of
circulation based on commercial paper from 30 to 75
per cent. of unimpaired capital and surplus and it
extended the provisions of the Aldrich-Vreeland Act
to all State banks and trust companies having a capi-
tal of not less than \$25,000 and a surplus of 20 per
cent., said institutions to be required to pay upon
notes so issued, the tax provided for in said act, as
amended, and the notes not to be subject to the Act
of February 8, 1875, to amend existing customs and
internal revenue laws. In the House, the Committee
on Banking and Currency made a favorable report
of the bill with an amendment enlarging the limita-
tion on circulating notes secured by commercial pa-
per from 75 per cent. to 100 per cent. of capital and
surplus and further recommended the striking out of
that part of the bill which extended the benefits of the
Aldrich-Vreeland Act to State banks and trust com-
panies. The House adopted the recommended amend-
ments. These differences between Senate and House
await the adjustment of Conference Committees.

Postal Savings Legislation.

The culmination of attempts to amend the Postal Savings Act which limits deposits of any one person to not more than \$100 per month with total deposit limited to \$500 exclusive of accumulated interest, is by the insertion of a rider on the Post Office Appropriation Bill, Section 16 of which is as follows:

Section 16. That such part of section six of the Act approved June twenty-fifth, nineteen hundred and ten, authorizing a system of postal savings depositories as reads "but no one shall be permitted to deposit more than \$100 in any one calendar month" is hereby amended to read as follows: "but the balance to the credit of any person, upon which interest is payable, shall not exceed \$1,000, exclusive of accumulated interest"; and said act is further amended so as to repeal the proviso in section seven thereof and insert in lieu of such proviso the following: "Provided, That the board of trustees may, in their discretion, and under such regulations as such board may promulgate, accept additional deposits not to exceed in the aggregate \$1,000 for each depositor but upon which no interest shall be paid."

The Post Office Appropriation Bill (H. R. 19906) was reported from the Committee on Post Offices and Post Roads on December 14th and committed to the Committee of the whole House. A minority report accompanied the bill concurred in by three members of the Committee opposing the method of proposing new legislation by means of riders on appropriation bills. On December 31st it passed the House as amended, and in the Senate on January 2d was referred to the Committee on Post Offices and Post Roads. Such is its present status.

It will be of interest to recall the vagaries of proposed amendatory legislation relative to deposits in postal savings banks during the present Congress. On September 6, 1913, the Moon bill so-called (H. R. 7967) was introduced and on December 11th, it was favorably reported by the Committee on Post Offices and Post Roads. It amended the existing law by permitting a person to deposit an unlimited amount at any time in a postal savings bank but interest not to be allowed on so much of the deposit as exceeded \$1,000. In other words, \$1,000 was to be the maximum amount standing to the credit of a depositor on which interest would be paid but any amount in excess of \$1,000 would be accepted for safe keeping. This bill passed the House on December 15th and went to the Senate Committee on Post Offices and Post Roads. As reported by that Committee on March 9, 1914, it was amended so as to provide that the balance to the credit of any person exclusive of accumulated interest should not exceed \$2,000 with a proviso that no interest should be paid on such part of the balance as was in excess of \$1,000. When the bill came up for discussion in the Senate on August 5th it was again amended so as to provide that the balance to the credit of any person exclusive of accumulated interest should not exceed

\$1,000 with a proviso that no interest should be paid on such part of the balance as was in excess of \$1,000. The Senate also added a new provision that postal savings funds should be deposited in solvent banks whether organized under national or State laws and whether member banks or not of a Reserve Bank, this being in the nature of an amendment of the Federal Reserve Act which provides that no postal savings funds shall be deposited in the continental United States "in any bank not belonging to the system established by this Act." The bill as thus amended passed the Senate August 5th. As the bill passed both Houses after agreement of the conferees it had been changed to provide that the balance to the credit of any person upon which interest is payable should not exceed \$500 exclusive of accumulated interest with a proviso that the Board of Trustees might in its discretion accept additional deposits not to exceed in the aggregate \$500 for each depositor upon which no interest should be paid. The bill retained the provision allowing postal savings funds to be deposited in other than banks that were members of the Federal Reserve System. On September 11th the President vetoed the bill because of this latter provision.

Following this on September 17th Mr. Moon introduced H. R. 18842 to amend the Postal Savings Act by providing the same deposit limitations as contained in the bill which passed both Houses and with a further provision that would permit postal savings funds to be deposited in all qualified State banks and trust companies which might within twelve months after the commencement of business of the Federal Reserve banks join or contract to join the Federal Reserve System. This bill was referred to the Committee on Post Offices and Post Roads and has never been reported. In the Senate on December 7th Senator Bankhead introduced a similar bill (S. 6770) except that the balance to the credit of any person upon which interest is payable was fixed at \$1,000 exclusive of accumulated interest and the Board of Trustees given discretionary power to accept \$1,000 additional from each depositor upon which no interest should be paid. Further the Bankhead bill omitted the provision as to deposit of postal savings funds in State banks or trust companies who may join the Federal Reserve System within twelve months.

The Bankhead bill was referred to the Committee on Post Offices and Post Roads and has not been reported but as Section 16 of the Post Office Appropriation bill reported from the House Committee is in identical language with the Bankhead bill, it indicates an agreement between the proponents of this amendatory legislation in House and Senate Committees to promote the same by method of rider to the Appropriation bill.

The above record of proposed legislation in the Sixty-third Congress amendatory of the postal savings law with reference to deposits in savings banks is published in the thought that it may be of interest and possible value to those affected thereby.



OPINIONS OF GENERAL COUNSEL

Summary of Questions Received and Opinions Rendered to Members of the Association

INCOMPLETE CHECK.

Where check has pen line drawn through payee blank, or payee blank is unfilled, it is an unsafe instrument for purchaser to acquire or drawee bank to pay—Law governing legal effect of such instruments discussed.

From Pennsylvania.—May we trouble you to give us your opinion of the following: If the maker of a check does not name any payee, merely drawing a line through the space provided for the name of the payee, and such check comes to us through the local clearing house, would it be safe for us to pay it? Is a check in which no payee is named equivalent to a check payable to bearer? We notice that section 14 of the Negotiable Instruments law says: "Where the instrument is wanting in any material particular, the person in possession thereof, has a prima facie authority to complete it by filling up the blanks therein." We recently received for deposit a check in which no payee was named. The check was indorsed by the maker, and by our customer. The bank on which it was drawn returned it to us because the name of the payee was lacking. In such case is it your opinion that under the section of the law above quoted, we have authority to insert the name of the maker of the check as payee?

Your inquiry refers to two ways of drawing a check: (1) where the payee blank is filled, not with the name of a payee but with a pen line run through the payee blank and (2) where the payee blank is left unfilled. These will be considered separately.

First, where there is a pen line run through the payee blank. It is elementary that every check or other negotiable instrument should specify to whom it is payable to enable the drawee to make payment to the proper person and the general rule is that if no payee is named or indicated, the instrument is fatally defective. The Negotiable Instruments Act provides as one of the requirements of a negotiable instrument that it "must be payable to order or to bearer" and defines with particularity the cases when the instrument is payable to order and to bearer. Without going into all these definitions the question in the instant case may be narrowed down to whether a pen line drawn through the payee blank would indicate an impersonal payee and come within the definition of the Negotiable Instruments Act that the instrument is payable to bearer "when the name of the payee does not purport to be the name of any person" or whether the check is to be regarded as having no payee, hence incomplete and fatally defective. Instances of checks payable to impersonal payees are "pay to the order of bills payable" or "pay to the order of 1658." In these cases the courts have held that the instrument is payable to bearer and purchase from or payment to the bearer is safe. See *Mechanics' Bank v. Stratton*, 3 Abb. Ct. of App. Dec. 269, in which the Court of Appeals said that words of negotiability used in connection with such designations "are capable of no reasonable interpretation except as expressive of an intention that the bill shall be negotiable without indorsement, i. e., in the same manner as if it had been payable to bearer." But in a Minnesota case, *McIntosh v. Lytle*, 26 Minn.

336, in which a check was drawn pay to the order of "on sight," the Supreme Court of Minnesota held that while the words "bills payable or order" or "1658 or order" in a check constitute a case of impersonal payee and made the check payable to bearer because the use of the word order indicated the drawer's intention that the instrument should be negotiable, the words "on sight" did not constitute an impersonal payee or make the instrument negotiable because they were inserted for another purpose, namely, to fix the time of payment and not to indicate the payee. Said the court: "It is clearly the case of an inadvertent failure to complete the instrument intended by the parties. The drawer undoubtedly meant to draw a check, but having left out the payee's name without inserting in lieu thereof words indicating the bearer as payee, it is as fatally defective as it would be if the drawer's name was omitted."

Coming now to the precise situation where a pen line is drawn through the payee blank, there is only one decision that I know of in which a check having this characteristic was involved, *Gordon v. Lansing State Savings Bank* (Mich.) 94 N. W. 741. In that case a check for \$970 drawn by John R. Gordon upon the Lansing State Savings Bank had a pen line drawn through the blank after the printed words "pay to the order of." The controversy arose between the bank which paid the check and the drawer who repudiated it and refused to accept it as a valid voucher. The Circuit Court in Ingham County, Mich., decided in favor of the drawer, holding that the check had no payee, hence was incomplete and should not have been paid by the bank. On appeal to the Supreme Court the four judges who reviewed it were divided two against two in their views upon the question and there being no majority either way, the judgment in favor of the drawer rendered by the lower court held good. The controlling view taken was that the check was an incomplete instrument, without a payee; that there was no blank space left carrying presumption of authority to the holder to fill it, nor was the pen line the equivalent of an impersonal payee indicating a complete instrument. The members of the court who took the opposing view said that the drawer by using an ordinary blank and drawing a line through the space intended for the name of the payee prevented the court from assuming that it was the case of an inadvertent failure to complete the instrument; that it was obviously complete in just the form the maker intended and that the authorities which hold a check payable to the order of an impersonal payee, to be valid and negotiable, should control this case.

In the light of the above, the conclusion must be reached that in the present condition of uncertainty as to the law, it would not be safe for a purchaser to give value for nor a drawee to pay a check in which the drawer has drawn a pen line through the payee blank. It might be held to be payable to the bearer or it might be held an incomplete and invalid instrument.

Second, taking up the case of a check where the payee blank is left unfilled. This stands on a differ-

ent footing. Before the enactment of the Negotiable Instruments Act there were two conflicting theories as to the legal nature of such a check: (1) that it was a complete instrument as it stands carrying the absolute right to any bona fide holder to fill in the blank space, and until that is done it will circulate as though payable to bearer; (2) that the check is an incomplete instrument carrying prima facie authority to fill the blank, but such authority may be met by evidence of what authority was in fact given, except if the blank was filled in an unauthorized manner before the instrument was negotiated to a bona fide holder, the drawer cannot set up that it was incomplete when delivered by him. Without taking space to specify the States in which these conflicting theories prevailed, it is sufficient to say that the Negotiable Instruments Act adopted the last stated theory in the provision (§14 Pa. Act): "Where the instrument is wanting in any material particular, the person in possession thereof has a prima facie authority to complete it by filling up the blanks therein . . . In order, however, that any such instrument when completed may be enforced against any person who became a party thereto prior to its completion, it must be filled up strictly in accordance with the authority given and within a reasonable time, but if any such instrument after completion is negotiated to a holder in due course it is valid and effectual for all purposes in his hands and he may enforce it as if it had been filled up strictly in accordance with the authority given and within a reasonable time."

Under this, where the drawer of a check with payee blank unfilled entrusts the instrument to a holder with authority to use it for a specified purpose and the holder in breach of trust fills in his own name as payee and negotiates it to an innocent purchaser for value, the purchaser would be protected as would be the drawee bank which paid such a check; but if the holder who committed the breach of trust should negotiate it without authority, leaving the payee blank unfilled, the purchaser would take the check subject to the defense of the drawer that it had been misused without his authority and if the drawee bank paid such a check with the payee blank unfilled, the drawer could object to being charged with its amount for like reason. See, for example, *Guerrant v. Guerrant*, 7 Va. L. Reg. 639; *Hartington National Bank v. Breslin*, 128 N. W. (Neb.) 659.

Applying the above to your specific inquiry. If the check in question had a pen line drawn through the payee blank it is matter of doubtful law whether the instrument would be regarded as payable to bearer or incomplete and fatally defective, and while this doubt exists, your customer who purchased the check took a risk in so doing, and the drawee which returned the check to you took the proper course in refusing to pay a check so drawn. If the check had no pen line drawn through the payee blank, but such blank was left unfilled, the same conclusion is to be reached because your customer who purchased it would take a risk as to the holder's authority to negotiate it, and if the drawee paid the check, it would be taking like risk that the check had been transferred contrary to authority of the drawer. I do not think the fact that the drawer's name is also indorsed

on the back of the check would change this conclusion. If the pen line drawn through the payee blank was held to indicate no payee and an incomplete and fatally defective check, it would be extremely doubtful if the drawer's name on the back would cure this; and in the case of a check with payee unfilled, I think it would be equally open to the drawer whose name was indorsed on the back to show the check had been negotiated contrary to the authority he had given the holder or that, perchance, it had been stolen from his possession when in such incomplete condition. Whether, therefore, a check has a pen line drawn through the payee blank or the payee blank is left unfilled, it is an unsafe instrument for a purchaser to acquire or for a drawee bank to pay while in that condition and this conclusion would seem to follow even though the drawer's name may also be indorsed on back of the check.

LOST CERTIFIED CHECK.

Certified check not outlawed in Pennsylvania until statutory period after payment demanded and bank, before paying amount of deposit represented by lost certified check outstanding ten years, is entitled to satisfactory indemnity or conclusive proof of its destruction.

From Pennsylvania.—Some years ago we issued a certified check to a depositor, which was to be held as collateral or security by an attorney, who became bondsman for the depositor's son, guaranteeing his presence at Criminal Court, where he was a defendant. The case being disposed of later, the attorney was asked to return the check, but stated he had mislaid it; and after a lapse of about ten years, has been unable to produce it. How can this money be released by the bank, legally and without liability, the indemnity bond of the depositor or attorney not being considered satisfactory security?

There is a conflict of authority in the different States as to when the statute of limitations begins to run against the holder of a certified check or a certificate of deposit, but in Pennsylvania the rule has been announced by the courts that the statute of limitations only begins to run against the holder of a certified check from the date of the bank's refusal to pay it (*Girard Bank v. Bank*, 39 Pa. 92), and it has also been held as to demand certificates of deposit that the certificate is not due nor can an action be begun thereon until payment has been demanded on the return of the certificate. Until then the statute of limitations is inoperative. (*McGough v. Jamison*, 107 Pa. 336; *Finkbone's Appeal*, 86 Pa. 368; *In Re Gardner's Estate*, 228 Pa. 282.)

It would follow that although the certified check issued by your bank has been outstanding about ten years, still if hereafter presented by a bona fide holder, it would not be outlawed and the bank would probably be compelled to pay it; therefore the bank is entitled to satisfactory indemnity before releasing the money to the depositor, and if the indemnity bond of the depositor or attorney is not considered satisfactory security, it would be incumbent upon the depositor to tender such other security—either the bond of a surety company or of a responsible individual or deposit of securities—as would protect the bank. Un-

til satisfactory indemnity is tendered or the certified check produced or its destruction conclusively proved, it would seem the money represented by the check must remain on deposit.

UNAUTHORIZED INDORSEMENT OF CERTIFIED CHECK.

Where, after certification of an unindorsed check, the holder indorses name of payee without authority and negotiates to a bank which receives payment, latter is liable to certifying bank.

From Connecticut.—Our customer gave his check to an agent of a company, made payable to the company (as he had twice before done), and the agent came to our bank and had the check certified. This agent or supposed agent took this certified check to a Waterbury, Conn., bank, where we have an account and endorsed it as follows:

The Company
John Doe
John Jones

John Jones is the man who identified John Doe, and Jones having an account at the Waterbury, Conn., bank where the check was presented, the teller cashed it. The company claim that they have not received the money, therefore have not shipped the goods. Our customer made complaint to us and we called the Waterbury, Conn., bank on the phone and they (the teller) said "send it down and we will charge it to our customer," and this we did, charging their account and giving credit to our customer. After having this item in their possession about two months the Waterbury, Conn., bank returned it to us, saying that their customer's account had not at any time been good for it. John Doe used his name individually and not as agent. We think that our customer was in error in giving his check to an agent. We would like to know where the responsibility rests.

In the case stated your bank certified a check without the indorsement of the payee, a company, when in the hands of a third party, namely, the payee's agent. In such case the check was not payable until proper indorsement of the payee was obtained. (*Goshen Nat. Bank v. Bingham*, 118 N. Y. 349.) After certification the agent, John Doe, indorsed the payee's name, then his own name individually, and thereupon John Jones, who had an account in a bank in Waterbury, also indorsed the check to induce that bank to cash it. The Waterbury bank after cashing the certified check forwarded it to your bank, which paid the amount.

I assume John Doe had no authority to indorse the check in the name of the company. If such be the fact, then your bank, which paid the check upon an unauthorized indorsement, would have a right of recovery from the Waterbury bank to whom payment was made, who in turn would have the right to charge the amount to their customer, John Jones, who by his indorsement warranted to the Waterbury bank the genuineness and sufficiency of the prior indorsements. If, however, the agent had authority to indorse the company's name, then the indorsement of the agent would be the indorsement of the company and the amount would not be recoverable by your bank, but would remain chargeable against your customer's account. But in such case, the company not

having delivered the goods for which the check was given (having been defrauded by their agent), would be liable to your customer for the amount.

The case then hinges on whether the agent had authority to indorse for the company. If he had no authority to indorse, as I assume to be the fact, then the amount is chargeable to the account of the Waterbury bank, which in turn has a right to charge the amount to the account of their own customer who indorsed the check and warranted the genuineness of the indorsement. The fact that their own customer's account is not good for the amount, of course in no way affects your right to charge back the amount to the Waterbury bank.

ACCEPTANCE BY WIRE TELEPHONED TO TELEGRAPH AGENT.

Where drawee of bill telephones to telegraph agent to wire acceptance, opinion that acceptance is valid and binding as being an acceptance in writing by the drawee by the hand of his agent.

From Kansas.—Would a telegram of acceptance of a bill telephoned to telegraph agent, and not written by acceptor, be held as acceptance in writing, and could the acceptor be held upon his proving he telephoned his acceptance to telegraph agent?

The Negotiable Instruments Act requires that an acceptance must be in writing. Under this it has been held in Kansas and several other States that a promise by the drawee over the telephone to pay a check is not binding because not in writing. *Rambo v. Bank*, 88 Kan. 257; *Ballard v. Home National Bank*, 91 Kan. 97. On the other hand, where a drawee bank sends a telegram that it will pay John Doe's check for \$100, this is binding as a written acceptance. See for example, *Bank v. Garretson*, 51 Fed. 168; *Bank v. Bank*, 114 Mo. App. 663.

In the case stated, the drawee of a bill telephones the telegraph agent and the latter, as I understand, wires the acceptance in the name of the drawee. The question here is whether the telegraph agent was the duly constituted agent of the drawee with authority to execute a written contract for him.

The rule is elemental that in general no written instrument or particular form of words is necessary to constitute the relation of principal and agent. (*Geylin v. De Villeroi*, 2 *Houst. [Del.]* 311; *Hirsch v. Beverly*, 125 Ga. 657; *Trundy v. Farrar*, 32 Me. 225.)

For most purposes the agent's authority need not even be express, but if it is express, oral authority is sufficient. (*Cocke v. Campbell*, 13 Ala. 286; *Kirklin v. Atlas Sav. & Co., Assoc.*, 107 Ga. 313 [where oral authority to bid off money offered by a building association in the principal's name, and to sign the principal's name to the list of members of the association, was upheld]; *Phelps v. Sullivan*, 140 Mass. 36; *Worrall v. Munn*, 5 N. Y. 229; *Central Trust Co. v. Bridges*, 57 Fed. 753.)

Although it is a general rule that the authority of the agent must be of equal dignity to the power to be executed by him, this does not require an agent to have written authority in order to make a written contract for his principal. (*Webb v. Browning*, 14

Mo. 354; *Piercy v. Hedrick*, 2 W. Va. 458; *Welch v. Hoover*, 29 Fed. Cas. No. 17,368.)

In particular, it is the rule that authority to execute, indorse, or transfer negotiable instruments need not be written. (*Fountain v. Bookstaver*, 141 Ill. 461; *Long v. Colburn*, 11 Mass. 97; *Bank of North America v. Embury*, 21 How. Pr. [N. Y.] 14.)

From the above it appears that an agency of this character may be created by parol, and the telegraph agent being made the agent of the drawee, it would seem that the signature of the drawee by the telegraph agent to the telegram of acceptance, would be sufficient to bind the drawee as upon a written acceptance. While the Negotiable Instruments Act requires the acceptance to be in writing, it nowhere forbids the drawee delegating to a subagent the manual labor of writing out the acceptance and affixing his signature thereto.

I think, therefore, a telegram of acceptance of a bill telephoned to the telegraph agent by the drawee would be binding on the latter as an acceptance in writing, assuming of course that the telegraph agent wired the acceptance and affixed the signature of the drawee thereto pursuant to instructions.

PAYMENT OF DEPOSIT BY MISTAKE.

Bank mistakenly crediting deposit to wrong account and paying out same to depositor whose account is erroneously credited, has right of action against depositor to recover overdraft.

From Pennsylvania.—On April 3, 1914, a deposit of \$105 was made in our bank by one of our depositors, and through a blunder by our bookkeeper was credited to the account of another depositor. The money, excepting 42 cents, was checked out by the depositor whose account was credited in error. We did not know of the error until several days ago, when the customer who made the deposit left his book for balance, when the error was discovered and, of course, correction made, and the amount credited to the proper account and charged to the account of the depositor who received the credit in error. The money was withdrawn on small checks which were paid from time to time.

This shows his account overdrawn \$104.58. This person who received the credit in error is very indifferent about the matter and does not seem at all disposed to make good to us this amount, and we are writing to you to secure your opinion as to whether we have any recourse, either civil or criminal, in the matter. The man for more than two years back has never had more than \$60 in the bank at one time, and we are perfectly well satisfied that he knew he was drawing money which did not belong to him. He claims he inquired his balance from our teller before making checks.

I doubt whether your depositor could be successfully prosecuted for taking advantage of the bank's mistake and drawing against the credit, but you have a clear right of action to recover the overdraft.

Your right of recovery rests upon the general rule supported by numerous cases that payment by mistake of fact may be recovered. See, for example, *James River Nat. Bank v. Weber*, 124 N. W. 952, decided by the Supreme Court of North Dakota, in which a bank sued a depositor for money overpaid to him in mistake as to the account, and the court held: Money paid under a mistake of fact to

one not entitled thereto, and who cannot in good conscience receive and retain the same, may ordinarily be recovered back. Under such facts the law raises an implied promise on the payee's part to refund the amount of such payment.

An interesting case of this nature recently came before the New York courts. (*Citizens' Trust Co. of Schenectady v. Levine*, 147 N. Y. Supp. 737.) The bank brought an action to recover an overdraft. Defendant denied liability, asserting that her account had not been overdrawn. From the proof it appeared that on October 28, 1912, one Jessie Lewis made a deposit of \$63, which was by a mistake of the bank clerk entered in the account of the defendant, Jennie Levine. The name upon the deposit slip was not distinctly written and the mistake was one which might easily occur. The defendant withdrew funds from her account until she had substantially exhausted the account, including the mistaken credit of \$63. When the bank book of Jessie Lewis was presented and it was found that she had not been credited with this amount an investigation was made and the mistake discovered. The proof of the mistaken credit was conclusive. But the defendant asserted that she had in fact deposited a similar amount which the bank had failed to credit and upon such assertion a verdict was given in her favor. This the Appellate Court reversed, using the following language:

"But the astounding proposition is made that the plaintiff failed to credit a similar sum which had been in fact deposited by the defendant and which should have appeared in her account. No deposit slip was found corroborating the defendant in this claim. Most unfortunately her bank book is not produced; she claiming that it has been lost. Her recollection is not clear as to the amounts of her deposits. The story is so improbable in the face of explicit denials by the officers of the bank that an appellate court would not be justified in sustaining a verdict based thereupon."

The course for your bank to pursue, therefore, is to place the claim in the hands of your attorney for the bringing of an action against your customer for the amount of the overdraft with interest from the time overdrawn and upon satisfactory proof of the facts you will doubtless recover judgment.

NOTARY'S CERTIFICATE OF PROTEST.

Where signature and seal of notary is made by hand of his clerk, opinion that certificate of doubtful validity—The making of demand and protest must be by notary personally and cannot be delegated to clerk, except that a few cases recognize custom for clerk to act, but law unsettled and uncertain as to validity of custom.

From North Carolina.—I will very much appreciate your opinion upon the following technical point: In most of the country banks in this State the cashier is the notary. A demand draft with bill of lading attached is drawn on a party and sent by a bank in A to its correspondent bank in B for collection on party who resides in C. The bank in B forwards to bank in C, who presents and demands payment and same is refused. The bank in C tells the party on whom it is drawn that the draft will have to be protested in ac-

cordance with instructions of B bank, who sends them the item. The drawee wires to bank in A and asks that they wire bank in C and call off the protest, which they fail to do. The C bank protests the item. The notices are drawn regularly by one of the clerks of C bank and signed by him in the name of the cashier of C bank, who is the notary. The item is returned in the regular channels as received. When it gets back to A bank they refuse payment of the protest fee, saying that the notices and protest, although signed by the cashier and notary, are not his handwriting. Clerks in banks sign cashier's name to checks, certificate of deposit and all other items in course of bank's business. We think Bank A is raising a strained point of technique.

The question is as to the sufficiency and validity of a certificate of protest when signed in the name of the notary by the hand of his clerk. The Negotiable Instruments Act provides that the protest "must be under the hand and seal of the notary making it," and the specific point of inquiry is whether the notary can affix his signature and seal through the instrumentality of his clerk, duly authorized, or must personally sign his name and affix his seal.

Before taking up this specific question it will be desirable to briefly review the cases in which the right of the notary to delegate to his clerk the function of making the protest, have been considered. It was early held by the courts that the notary's privileges and rights are personal and that the making of protests, equally as in the taking of oaths or acknowledgments, the notary must act personally and cannot delegate such function to his clerk. For example, in the English case of *Vandewall v. Tyrrell, Mood. & Malk. 87*, it appeared that a clerk presented the bill, and afterwards drew up the certificate of protest, which was signed and sealed by his principal in the usual form. Lord Tenterden, the Chief Justice, in strong terms, said it was a void protest—that it was a false certificate—that the notary had signed a paper stating, "I presented and demanded," etc., when it appeared in evidence that only his clerk had presented the bill, and he himself knew nothing of the presentment—that he had certified a falsity. See also *Stewart v. Ellison 6 Serg. & Rawle (Pa.)*, 324, where the same question arose, and practically the same view of the question was taken by the court. To the same effect *Onondaga County Bank v. Bates, 3 Hill (N. Y.)*, 53, where a notarial certificate of protest, stating that the officer caused the note to be presented, etc., was insufficient.

In the New York courts an early line of cases were to the effect that the notary cannot delegate to his clerk the official authority in the matter of making protests and that he cannot lawfully certify the performance of an act, within the scope of his duty where it has been performed by a deputy. Then in 1872 came the decision in *Commercial Bank v. Varnum, 49 N. Y.* 277, to the effect that the clerk of a notary might make presentment and demand which would be valid if it could be shown that it was the usage and custom of the notary to perform these necessary steps. But later in the same year, before the decision in the last cited case was reported, it was decided by the Commissioners of Appeal in New York in *Gawtry v. Doane, 51 N. Y.* 90, in accordance with the older line of cases, that the notary could not delegate his official authority to his clerk. Later in

Gessner v. Smith, 2 N. Y. Supp. 655 (decided in 1888), it was held that the protest cannot be properly made by the clerk or deputy of the notary and that the notary's certificate of protest and notice is of no effect as evidence when it is shown by the testimony of the notary that he did not personally present the note.

In addition to *Commercial Bank v. Varnum*, there are a few authorities to the effect that demand and protest may be made by the clerk when authorized by usage (see, for example, *Miltenberger v. Spaulding, 33 Mo.* 421), but the law to this effect is unsettled and it is the safer practice for the notary to perform all the steps in the making of protest personally so that he may certify that the acts were performed by him.

This brings us to the specific question whether, assuming the notary has himself made the demand and protest, a certificate of protest filled out and signed in his name by his clerk would be valid or whether such certificate, offered in evidence by the holder, would be liable to be rejected as invalid? No case has been presented for decision so far as I know involving this particular question. It is true a principal acting in a private capacity can sign his name by hand of an authorized agent, but the notary does not act in a private capacity but is a public officer, officially certifying to a fact, and his official certificate is *prima facie* evidence of the fact to which he certifies. It seems to me in such a situation the signature of his name by his clerk would be of doubtful validity. Suppose instead of a certificate of protest, it was the notary's certificate to the making of an oath or to an acknowledgment of the execution of a deed, would the signature of the notary by hand of his clerk be sufficient in such cases? Going a step further, would the signature of a minister of the Gospel or a Justice of the Peace to a certificate of marriage be acceptable if signed with his name by the hand of his clerk or secretary? All such certificates, equally as in the case of a certificate of protest, certify to a certain fact and it would seem that public policy would require that the signature be personally made by the officer himself. In case of death of the certifying officer, the genuineness of the certificate is established by proof of his handwriting and the difficulties of proof would be increased if such signatures could be made by the hand of another. Furthermore, in the offices of the clerks of counties in many States an official book is kept containing the signatures of notaries, and when an instrument is acknowledged before a notary to be filed in another county, the certificate of the county clerk to the genuineness of the notary's signature is made after comparison of the signature in the book with the signature to the acknowledgment; in such case, obviously, the signature of the notary by hand of his clerk would be of no avail.

On the whole, it would seem that the courts would be likely to hold that the signature of a notary must be affixed by his own hand and that the certificate of protest signed in the notary's name by the hand of his clerk would be inadmissible in evidence. If so, the bank referred to was justified in refusing to pay the protest fee upon a certificate which, if offered in evidence in a court, would probably be held insufficient and invalid.

**SET-OFF OF COLLECTION PROCEEDS AGAINST
BANKRUPT'S INDEBTEDNESS.**

Opinion that bank holding claim against bankrupt has right to set off proceeds of notes deposited for collection at a time when bankruptcy not contemplated and collected after bankruptcy.

From Georgia.—Without any contemplation of bankruptcy the firm of A and B left with us notes for collection. When they went into bankruptcy we had some notes for collection for their account which we collected and applied as credit on A and B's indebtedness to us. The receiver of A and B is raising some question as to our right to do this. Will you kindly give us the latest decisions on this point?

I do not find any case on the precise point more recent than in *re Farnsworth*, Fed. Cas. 4673, 14 N. B. R. 148, in which it was held that if the banker has received drafts for collection, the proceeds of which afterward come into his hands, he may offset them against debts due to him by the bankrupt.

But it seems to me a deposit of notes for collection in regular course without contemplation of bankruptcy would stand on the same footing as a deposit of money, as to which latter there are numerous and recent decisions to the effect that after its customer's bankruptcy, the bank may set off the deposit made in regular course of business and in good faith, against the customer's indebtedness. A bank has a right of set off, sometimes called a lien, by virtue of which it may apply a general deposit to the payment of a debt of the depositor and in addition it has a general lien upon all securities deposited with it by a customer in the usual course of business including paper deposited for collection and its proceeds, for any balance due the bank on general account.

If we regard the bank's lien and right of set off of the notes deposited for collection to be the same as if money had been deposited, then see *New York Co. Nat. Bank v. Massey*, 192 U. S. 138, where \$3,884 deposited by an insolvent customer in good faith four days before the filing of petition against him was allowed to the bank by way of set off of notes of the bankrupt held by it. See, also, *Studley v. Boylston Nat. Bank*, 33 Supreme Court Reporter 806; *Heyman v. Third Nat. Bank*, 216 Fed. 685. In this latter case the bankrupt was indorser on notes held by the bank and also had a deposit in the bank and about a week before the bankruptcy and before any of the notes were due he gave the bank a check which it at once had certified and charged to his account and after the bankruptcy, the bank applied the same in payment of one of the notes then matured and in part payment of another not matured. The court held that this transaction created a preference because the right of set off did not arise prior to the bankruptcy proceedings. But it said: "If it (the bank) had waited until the filing of the petition before attempting to enforce the indorser's liability on such notes, it could at such time have enforced the right of set off given by the Bankruptcy Act against any deposit that may then have stood in the bankrupt's name."

In your case you did not apply the proceeds of the notes until after your customers went into bank-

ruptcy and while I can find no specific case later than the *Farnsworth* case upon the precise point, it would seem that the right of set off of the proceeds of notes deposited for collection prior to the bankruptcy, which is exercised after the bankruptcy, would exist equally as if the deposit had been of actual money.

**SET-OFF BY DEPOSITOR AGAINST INSOLVENT
BANK.**

Depositor can set off note of which he is maker, whether due or not, against his deposit in insolvent bank—But if the depositor is indorser on note of a solvent maker some cases hold right of set-off does not exist.

From Kentucky.—A State Bank in Kentucky has for a correspondent a National Bank in Kentucky. The State Bank owes the National Bank a bill payable or note for \$10,000 (due or not due) and has a balance on deposit with the National Bank of \$5,000 subject to check. The National Bank fails. Can the State Bank pay the National Bank \$5,000 and set off the other \$5,000? Is the law plain on this subject? If not, has there been a decision in this State that would set a precedent?

It is generally held by the courts that when a bank becomes insolvent and holds the note of a depositor whether due or not yet due and also has a balance to the credit of the depositor, the latter has the right to set off the deposit against the note. In case the deposit is less than the note, the balance, of course, must be paid to the receiver of the insolvent bank; if the balance exceeds the note, the depositor is entitled to dividends on the excess. See, for example, *Thompson v. Union Trust Co.*, 130 Mich. 508; also *Jack v. Klepper*, 196 Pa. 699; *Steelman v. Atchley*, 135 S. W. 902; but if the depositor is not a maker of the note but only an indorser and the maker is solvent, it has been held in some cases that the right of set-off by the indorser-depositor does not exist. See, for example, *New Farmers' Bank's Trustee v. Young*, 100 Ky. 683-689, 39 S. W. 46. In the *JOURNAL* for January, 1914, at page 508, I published an opinion citing many authorities on this question.

STAMP TAX ON PROMISSORY NOTE.

Where note made and dated prior to December 1, 1914, but negotiated to payee bank on or after that date, stamp is required to be affixed and cancelled as of date of delivery to bank.

From Arkansas.—Is it necessary for a promissory note made payable to this bank to bear a revenue stamp where the note is dated prior to December 1, 1914, but presented or negotiated to this bank on or after December 1, 1914. If stamp is necessary, what date do you use in cancelling the same?

Where a note payable to your bank was made before December 1st but presented or negotiated to your bank on or after December 1st, I should say the affixing of the necessary stamp would be required. Section five of the Act of October 22, 1914, provides that on and after December 1, 1914, "there shall be levied, collected and paid for and in respect of the several"

instruments and documents described in Schedule A "by any person who shall make, sign or issue the same or for whose use or benefit the same shall be made, signed or issued," the prescribed tax. Although the note in question is made or signed before December 1st it is not issued until it is delivered to the bank. The Negotiable Instruments Act defines "issue" as follows: "'Issue' means the first delivery of the instrument, complete in form, to a person who takes it as a holder." It seems clear, therefore, that the delivery of the note to the payee bank on or after December 1st is an issue of the same, which calls for affixing of the necessary stamp.

You further ask if stamp is necessary, what date should be used in cancelling the same. It would seem in this case that the date of issue would be the date for cancellation of the stamp. The following regulation concerning the cancellation of documentary stamps was published by the Treasury Department under date of November 23, 1914: "In any and all cases where an adhesive stamp shall be used for denoting any tax imposed by Schedule A of the act of October 22, 1914, the person using or affixing the same shall write or stamp thereon, with ink, the initials of his name and the date (year, month, and day) in which the same shall be attached or used; or shall, by cutting and cancelling said stamp with a machine or punch, which will affix the initials and date as aforesaid, so deface the stamp as to render it unfit for re-use. The cancellation by either method should not so deface the stamp as to prevent its denomination and genuineness from being readily determined.

In addition to the foregoing, stamps of the value of 10 cents or more shall have three parallel incisions made by some sharp instrument lengthwise through the stamp after the stamp has been attached to the document: *Provided*, This will not be required where stamps are cancelled by perforation."

TAX ON STOCK TRANSFERS.

Where stock transferred by A to B and stamp affixed and new certificate is issued by company to B upon cancellation of old certificate, no stamp is required on new certificate.

From New Jersey.—Kindly advise as to the following: A transfers 5 shares of stock to B and attaches 10c. stamp to the transfer, as required by the Act. A new certificate is issued to B. Does the new certificate issued to B also require a 10c. stamp? If so, is it not double taxation on the same transaction?

The Commissioner of Internal Revenue under date of November 23d (T. D. 2073) in a published letter in regard to transfers of stock made the following ruling among others:

"Where certificates of stock are sold, and the tax has been paid and stamps affixed in the manner stated, when the transfer is made on the books of the company from the name of the party selling to the name of the purchaser, no stamps are required on the new certificates issued in lieu of those cancelled."

PROTECTIVE DEPARTMENT

L.W. GAMMON

MANAGER

OFFICES OF THE WILLIAM J. BURNS INTERNATIONAL DETECTIVE AGENCY, INC.

ALABAMA, BIRMINGHAM.—Brown-Marx Building.
CALIFORNIA, LOS ANGELES.—Walter P. Story Building.
CALIFORNIA, SAN FRANCISCO.—First National Bank Building.
COLORADO, DENVER.—First National Bank Building.
ILLINOIS, CHICAGO.—Transportation Building.
LOUISIANA, NEW ORLEANS.—Whitney Central Building.
MARYLAND, BALTIMORE.—Munsey Building.
MASSACHUSETTS, BOSTON.—201 Devonshire Street.
MICHIGAN, DETROIT.—Dime Savings Bank Building.
MINNESOTA, MINNEAPOLIS.—McKnight Building.
MINNESOTA, ST. PAUL.—New York Life Building.
MISSOURI, KANSAS CITY.—Midland Building.
MISSOURI, ST. LOUIS.—704 Title Guaranty Building.
NEW YORK, BUFFALO.—White Building.
NEW YORK, NEW YORK CITY.—Woolworth Building.

OHIO, CLEVELAND.—Sweetland Building.
OREGON, PORTLAND.—Yeon Building.
PENNSYLVANIA, PHILADELPHIA.—New Stock Exchange Building.
PENNSYLVANIA, PITTSBURGH.—Commonwealth Building.
TEXAS, HOUSTON.—Union National Bank Building.
WASHINGTON, SEATTLE.—Hinckley Block.

FOREIGN OFFICES OF THE WILLIAM J. BURNS INTERNATIONAL DETECTIVE AGENCY, INC.

CANADA, MONTREAL.—501 Transportation Building.
ENGLAND, LONDON, W.—Crown Chambers, 5 Regent St.
FRANCE, PARIS.—16-17 Rue Auber.
BELGIUM, BRUSSELS.—4 Passage des Postes, No. 6 Boulevard Anspach.

CORRESPONDENT OF THE WILLIAM J. BURNS INTERNATIONAL DETECTIVE AGENCY, INC.

IOWA, DES MOINES.—The Gus. J. Patek Detective Agency, 515 Mulberry Street.

THE following is a report for the month of December, 1914, pertaining to the work of the Protective Department:

WARNING.

A bank member at Blytheville, Ark., advises that they have been defrauded by a man giving the name A. EDMISTON, who succeeded in having cashed at their bank a worthless check for \$5.00 drawn on a bank at Parkin, Ark. They have been advised that this man has written numerous worthless checks and drafts.

A hotel-man in Los Angeles, Calif., introduced EDWARD BARNET to a member bank where Barnett deposited a worthless draft and succeeded in drawing against same shortly after the deposit was made. This man is 45 to 50 years of age, 5 feet 9 inches, 170 pounds, left eye droops slightly, smooth shaven, prominent nose, square jaw, sallow complexion, walks rapidly, stooped shouldered and has a dejected appearance. Wore dark gray suit, dark felt telescope hat, black shoes with gray kid lining, 16 size collar with laundry mark "H-JLG." Exhibits a photograph of a woman who, he claims, was his wife, recently dead. On displaying the photograph he gives vent to great grief. The California Bankers' Association is co-operating with this Association in this matter.

Edward Barnett.

On October 15, 1914, a member bank of Denver, Colo., was defrauded by GEORGE H. CORPRON, who deposited and drew against fraudulent checks. He is 25 years of age, 5 feet 10 inches, 185 pounds, stout build, pale blue eyes, light and curly hair, light complexion, thick lips and large hands.

An operator using the name of G. DUNDAS, alias E. W. Howard, alias Travers, of whom mention is made in the columns of the JOURNAL-BULLETIN for June, 1914, page 517, and about whom a circular

was issued December 18th, 1913, signed Canadian Bank of Commerce, New York Branch, is again busy with forged travelers' checks of the Canadian Bank of Commerce. This operator, who at that time represented himself as G. Dundas, is described as being 40 to 45 years of age; height, six feet; weight, 185 pounds; complexion, florid; hair, dark brown; smooth shaven; large diamond ring on one of his little fingers; Canadian accent. This man has recently been reported through a member bank of Chicago, as having defrauded a number of merchants in that city by the use of these fraudulent checks.

A member bank of Chicago, Ill., reports a forgery by one S. L. LEWIS, who succeeded in securing \$25.00 by the use of a forged and fraudulent check, which was cashed through a business house and later paid by the bank. Lewis is described as 50 to 55 years of age, 5 feet 9 inches, 150 to 160 pounds, dark complexion, black and gray hair, bald on top, black stubby mustache, quite hump-backed, neat dresser and has the appearance of a Frenchman or Spaniard.

Attention is again called to the operations of a person mentioned in the JOURNAL-BULLETIN of August, 1914, page 109, who has operated under the names: Donald Thomas, Frank Armstrong, Frank Stanley, Fred Miller, W. G. Watson, George Mason, Frank Seaton, Anthony Pruitt, L. M. Hughes, Dr. C. H. Campbell, W. H. Adams, George Willard, Joseph Miller, Frank Huntley, David Shaw, J. W. Sarver, and Frank Willard, and whose description is: age, 30 years; height, 5 feet 9 inches; weight, 150 pounds; complexion, fair; eyes, dark; hair, dark; smooth shaven. His mode of operation is to deposit with a bank a fraudulent check, advising that he is going to work for some well-known farmer in the vicinity. He does not request any money, but merely asks that he be given a certificate of deposit for the amount of the check. With this certificate of deposit he proceeds to another town, and going to some individual advises that he has an amount on deposit, on which he is drawing certain interest and that he does not care to draw this amount from the bank; he requests a small loan,

giving the certificate of deposit as collateral, and at the maturity of the loan the certificate of deposit is presented to the bank that issued it. The courts have held that the bank is liable. Member banks should be particularly cautious in furnishing certificates of deposit to a person of this description, or one who works in this manner.



C. V. GRIFFIN.

C. V. GRIFFIN, also known as Carl Vietz, of whom mention is made in the JOURNAL-BULLETIN of December, 1914, page 397, is again operating in the city of Chicago and is disposing of fraudulent stock of the Thompson Malted Food Company, Waukesha, Wis. He has visited the colored doctors and dentists in the larger cities and has also succeeded in defrauding a member bank at Evanston, Ill. We reproduce above his photograph.



H. SHERMAN.

The young man whose picture is reproduced above has used the names H. SHERMAN and H. Shermie Lyon, and recently succeeded in defrauding a member bank at Freeport, Ill., by forging the name of the company by which he was employed to a check for payroll. His home is believed to be at Russell,

Pa. He is described as 23 to 25 years of age, 5 feet 7 inches, 130 pounds, light complexion, very light hair, blue eyes, upper front teeth are false.

A member bank of Rockford, Ill., reports a forgery of \$164.75 by a person employing the names HERBERT W. SWANSON, Victor B. Kempinski and William Sullivan. Three checks made payable to this man and all bearing the forged endorsement of a well-known business man of Rockford, Ill., were presented at the above named bank with a forged letter of instructions to the banker to pay these checks to a messenger boy who would be assigned. The checks were paid as requested.



BERT THATCHER.

A member bank of Kokomo, Ind., reports a forgery of \$325.00 by one BERT THATCHER, until recently a resident of Kokomo, Ind., and a horse trader by occupation. As soon as this man secured the money on the checks, he left with a young woman of that town, named Blanche Lamoureux, and deserting a wife and child. He is also wanted for a violation of the Mann act.

Thatcher is 32 years of age, 5 feet 9 inches, 150 pounds, medium build, dark complexion, brown eyes, dark wavy hair, smooth shaven. Blanche Lamoureux, who accompanied him, is 19 years of age, 5 feet 7 inches, 140 pounds, large build, dark complexion, dark eyes, left eye crossed, dark hair, large thick lips, wears plain band ring also ring with blue set, gold necklace, small chain and locket with brother's picture enclosed, initials "B. L.," also plain bracelet with initials "B. L." Thatcher is believed to have gone to the Pacific Coast. His picture is reproduced.

W. T. FROHMAN recently went into a bank at Selma, Iowa, and requested that they take membership in the Retail Merchants' Clearing Association of Chicago, which fictitious concern he claimed to represent. Numerous merchants have been defrauded by this man's false representations. He is described as 55 to 60 years of age, 135 pounds, dark complexion, blue eyes, talks with slight foreign accent, appears nervous.

A member bank at Rosedale, Kan., was recently defrauded to the extent of \$7.50 by means of a check on it bearing the forged signature of W. MASON, one of their depositors. The check was cashed by a hardware merchant at Rosedale.

The check was presented by a man about 30 years of age, 5 feet 11 inches tall, weight 165 pounds, dark complexion, dark hair and eyes, dark stubby mustache, and having the appearance of a mechanic.

A warning has been issued for the arrest of DAVID L. KAZEE, who defrauded a Pikeville, Ky., member bank during December, 1914. Kazee is 28 years of age, 5 feet 11 inches, 160 pounds, slender build, dark complexion, blue eyes, dark hair, smooth shaven, small blue coal stains on face. Has the appearance of a coal miner. A specimen of his handwriting is shown below.



Bank members in Boston, Mass., and vicinity are warned against the acceptance of checks signed by F. LOWELL SHEA. This man recently opened an account by depositing a check drawn on a Brockton, Mass., member at the establishment of a bank member at Dorchester, Mass., which check later proved to be bogus.

He is described as being 21 years of age, height, 5 feet 10 inches; weight, 140 pounds; build, medium; wore brown overcoat.

LOUIS B. AMMERMAN, posing as a traveling salesman, recently visited Springfield, Mass., and referring to a reliable business acquaintance of that city for identification purposes, opened an account at the establishment of a member bank by depositing a check drawn on a Newark, N. J., bank. Upon obtaining a checkbook from bank member he drew a second check of considerable size against his deposit before the worthlessness of the first check had been ascertained.

Ammerman is described as: age, 29 years; height, 6 feet; weight, 160 pounds; build, slender; smooth shaven; complexion, medium; hair, dark; very high cheek bones; thin features; wore dark mixed suit; light Balmacaan overcoat; brown or green soft hat; light band, tan Stetson; shoes, 7½.

VASILIOS DANIKAS stole the bankbook of his brother, Nicolaos Danikas, and after forging the latter's name, presented same at the establishment of a member bank at Worcester, Mass.; represented himself to be the rightful depositor and succeeded in obtaining the full amount on deposit.

Danikas is described as 21 years of age; height, 5 feet 6 inches; weight, 128 pounds; build, slender; complexion, medium light; smooth shaven; hair, medium light brown, shaved close to neck; eyes, blue; prominent cheekbones; wore yellowish brown suit and brown golf cap; occupation, soda dispenser.

A worthless check was on December 11, 1914, presented by HARRY S. LIDDELL to a Detroit, Mich., member bank. He was given a certificate for \$100, which he may try to dispose of in some illegal way. He is 29 years of age, 5 feet 8 or 9 inches tall, 150 pounds, dark complexion, smooth face and neat dresser.

N. A. GENTRY recently attempted to defraud a member bank at Pascagoula, Miss., by worthless checks drawn on the Pascagoula Northern Railway

Company, signed by A. B. Kearsey, Superintendent. Several merchants were defrauded by accepting his checks.

CHARLES W. SHARP, alias George Darlington, alias C. H. Harris, alias Henry W. Harrington, alias A. B. Parker, alias E. P. Pennington, alias Frank Harrison, alias John B. Head, the well-known worthless check operator, is once more operating and recently defrauded a member of this Association at St. Louis, Mo. Description and photograph of this man are published in the July, 1914, JOURNAL-BULLETIN, page 42.

DR. RAY EASTERDAY, also known as Dr. M. S. Hardy, Joseph N. Hardy, Dr. William C. Hardy, C. Schaffer, Paul C. Holly, Paul C. Halley, Joseph W. Hardy, Robert M. Gilbert, Dr. Roy C. Hardie, Samuel LeRoy Hamilton, R. E. Steadman, Jr., Dr. Sam Holloway and Ralph Morrison continues to pass out his worthless drafts. Members are advised that this man is 31 years of age, 5 feet 11½ inches in height, 144 pounds in weight, slender build, medium complexion, dark brown eyes, hair black and gray. JOURNAL-BULLETIN, June, 1914, page 826; September, 1914, page 171.

Recently a young man named WILLIAM F. NELSON opened an account at a member bank in Asbury Park, N. J., by depositing three checks on the National Bank of Watertown, Watertown, N. Y. A few days later these checks came back from the bank at Watertown, having been protested on the grounds of insufficient funds. Nelson, who claims to be in the automobile business, is described as 21 years of age, 5 feet 7 or 8 inches tall, about 135 pounds in weight and is smooth shaven. It is believed that Nelson came to Asbury Park from Lakewood, N. J.

A saloon keeper in New York City recently cashed a check for H. KRAMER, which check was drawn on a member bank at New York. It was paid at the bank when presented and later was discovered to bear the forged signature of a local firm. The man who passed this check is described as being 34 years of age, 5 feet 5 inches in height, 145 pounds in weight, dark hair and eyes, small dark mustache, and is believed to be a furrier by trade. A sample of the handwriting of H. Kramer is shown below.



JOE YARTZ recently passed two forged checks at a saloon in Newark, N. J., which checks were later paid by the New York member bank upon which they were drawn. Joe Yartz has been in this country only a few years and is of Jewish nationality. He is described as 23 years of age; 5 feet 6 inches in height; 160 pounds in weight; dark hair and eyes; full smooth shaven face; usually wears clothes of

brown shades. A specimen of his handwriting is shown below.

Joe party

JOHN OSWALD, alias H. B. Seamon, alias H. B. Miller, alias C. P. Miller, check operator, previously reported, has again been heard from, having operated on December 1st and 3rd at Canandaigua, N. Y., Camden, N. J., and Philadelphia, Pa., having succeeded in defrauding various merchants in those cities. This swindler, as previously reported, poses as a member of the B. P. O. Elks and is now using New York Lodge B. P. O. Elks No. 1 credentials. He has lately used checks on Buffalo member banks. Any member bank receiving such checks should notify the nearest office of the Detective Agency.

A man named J. J. MARTIN or O. G. Husband defrauded a member bank in Winston-Salem, N. C., by passing a forged check upon them. He is believed to have gone to Salisbury, N. C.



CHARLES A. MORRIS.

Above is a photograph of CHARLES A. MORRIS, a mining promoter and chemist, formerly in the employ of the owner of a pigment mine in New Mexico. For some time he had an account with a member bank at Cincinnati, Ohio, where he deposited checks for collection and checked against his account.

Some time after Morris closed his account and left Cincinnati, his employer returned to that city, and upon having his account balanced, it was discovered that two of the checks cashed by Morris bore the forged signature of his former employer.

Morris is 54 years of age; 5 feet 11 inches tall; weighs 165 pounds; smooth shaven; wears heavy lensed eye-glasses; stutters very noticeably; has traveled extensively both in this country and in

Alaska, and is a mining promoter, surveyor and chemist by profession. Note his handwriting below.

Chas. A. Morris

Checks bearing a forged signature were recently passed upon a member bank at Cleveland, Ohio, by JOE RABONOWITZ. It has been learned that this man passed a number of worthless checks on merchants in Cleveland and left for New York State.

JOHN DRAPER entered a member bank of Cincinnati, Ohio, recently and felled the assistant cashier, the only one present in the bank, with a heavy weapon. He then gathered up all the money in sight and made his escape. Draper is described as follows: 42 years of age; 5 feet 8 inches in height; 150 pounds; slim build; dark complexion; dark eyes; walks erect and has the appearance of a consumptive.



H. G. WELLS.

H. G. WELLS, whose photograph is reproduced herewith, wanted for swindling a member bank at Tulsa, Oklahoma, by means of forged and raised checks is described as about 22 or 23 years old; five feet 8 inches tall; weighing about 125 pounds; brown hair; blue eyes; slender build; fair complexion; bad countenance. Is likely to be employed as a hotel bell boy. His handwriting is shown below.

Two hundred and fifty

Two member banks of Portland, Oregon, were recently defrauded by ANNA BRUCE, who appeared at the bank and opened a savings account with a forged check. She is 30 years of age; medium height; weight medium; brown hair; plainly dressed. The Oregon Bankers' Association is co-operating with this Association in this matter.

G. LORRAINE, also known as Carl Sundt, Frank Stewart, and F. Lang, employed as a laborer for The Railway Equipment Company of Portland, Oregon, received a check in payment of one day's work, and using this check as a specimen, had several printed, and forging the name of the cashier of the company, cashed same at stores in Portland. The Oregon Bankers' Association is co-operating with our Protective Department to cause his arrest.

Lorraine has the appearance of a laborer and is about thirty years of age; 5 feet 5 inches in height; weighs about 140 pounds; stocky build; ruddy complexion; brown hair; smooth shaven; sharp nose and chin and is very arrogant in his manner.

E. D. ARTHUR opened an account at a Portland, Ore., member bank on December 7, 1914, depositing currency when the account was opened but later depositing worthless checks. As W. S. Scott, he pursued the same course with another member bank, and later withdrew from both banks the entire amount to his credit, before it was learned that the checks deposited by him were worthless. The Oregon Bankers' Association is co-operating with us toward his apprehension. He has also used the names C. Roberts and R. C. Denison. He is described as about 30 years old; 5 feet 11 inches in height; weighs about 190 pounds; athletic build; dark hair; well dressed; genteel appearance. See specimen of handwriting below.



Believing that the forged endorsement of L. B. WAINWRIGHT on a check for \$150 was genuine, a member bank at Portland, Oregon, was defrauded of that amount on November 10th, 1914. The forgery not being discovered by the depositor whose name was forged for several weeks afterward, no description of the forger could be secured. The Oregon Bankers' Association is also interested in the apprehension of the forger. We reproduce his handwriting below.



A worthless customer's draft for \$32 drawn on a member bank at Memphis, Tennessee, payable to S. A. Thompson, was recently presented to a member bank at Houston, Texas, by a man believed to be HOWARD SANDERS, who left the bank before the paying teller could cause his arrest.

Sanders is about 28 years old; 5 feet 9 inches tall; weighs about 165 pounds; medium build; dark hair and eyes; wore a dark telescope hat and brown suit; is a hard drinker, and has been employed in cleaning and dyeing establishments.

MRS. CHARLES F. PEFERLY recently cashed a worthless check at a member bank in Wenatchee,

Washington. The check bore the endorsement of one of the bank's customers. Mrs. Peferly is 5 feet 6 inches in height; 137 pounds in weight; medium build; blue eyes; light brown hair; wore dark plush coat; small black hat; navy blue suit. She carried a baby boy and was accompanied by a man supposed to be her husband.

A young man using the names LOUIS W. HARTLEY, Chas. H. Rhinehart, Paul Walker and Tom R. Woods, is traveling about the country purporting to be a solicitor for the McClure publications, having letters and credentials in his possession, purporting to be signed by this company. He secures drafts or cashiers' checks made payable to himself or to the McClure Publishing Company, and later alters these checks or drafts, endeavors to open a savings account with the same, secure a pass book and draw against these accounts.

At Stevens Point, Wisconsin, he succeeded in defrauding a member bank with a draft raised from One Dollar to One Hundred Forty Dollars. At several other banks in that vicinity he has undertaken to operate with the same means. He also attempted to operate in Chicago.

Hartley is described as: Age, 20; height, 5 feet 8 inches; weight, 145 to 150 pounds; hair, dark brown; complexion, medium dark; teeth very prominent; smooth shaven. When last seen he was wearing a blue serge suit; tan shoes; gray Chinchilla overcoat and light brown cap.

GENERAL.

A man named J. R. ALLEN, who claims to be connected with several oil and petroleum companies of Ardmore, Oklahoma, recently cashed a worthless check in St. Louis, drawn on a member bank at Waurika, Oklahoma. He is 40 years of age; 5 feet 4½ inches; 140 pounds; stout build; dark complexion; gray eyes; brown hair; partly bald; smooth shaven. Has poor eyesight.

SAMUEL J. BARRON is the name used by a man who recently forged the name of a depositor of a member bank in Kansas City, Mo., to a check for \$16.50. Barron then called on a business woman in Kansas City and made a purchase, giving the check in payment of same and received the difference in cash. He is 28 years of age; 5 feet 7 inches; slender build; light hair; light complexioned; blue eyes and was well dressed.

Farmers at Barry, Illinois, have been given worthless checks in return for purchases made by S. L. BLAKEMAN, who has not been apprehended for these offenses to date.

ARTHUR BOISBERT, also known as Karl Sorg, Dean Ring, W. L. Douglass, Elson Reichner and Edward Richards, is wanted by the marshal at Oxford, Ohio, who holds a warrant for his arrest on a charge of defrauding merchants and jewelers by means of forged certified checks drawn on a member bank at Elyria, Ohio.

Boisbert is about 27 years of age; 5 feet 7 inches tall; weighs 150 pounds; has dark hair and eyes; is

well educated and speaks Spanish fluently. Note his handwriting below.

Edwin Richards
Edwin Richards

Our Detective Agents recently learned that one HARRY BROWN attempted to cash a forged check at Lockport, N. Y. Upon investigating this matter, it was learned that Brown had been arrested and convicted of petit larceny and sentenced to three months in the Erie County penitentiary, Buffalo, N. Y. An effort is now being made to identify this man for similar crimes committed at Albion, N. Y., during September last.

J. G. BRYANT recently passed a worthless check upon a merchant at Kansas City, Missouri. The check was drawn on a member bank of that city. Bryant is about 25 or 26 years old; 5 feet 9 or 10 inches tall; weighs about 145 pounds; slender build; fair complexion; dark chestnut hair; blue or gray eyes and smooth shaven. Below is a specimen of his handwriting.

Pay to *J. G. Bryant*

JAMES B. CARRAGIN, accompanied by a woman, recently went to Joplin, Missouri, and representing himself as a reputable business man of Chicago with influential friends and relatives in that city, gave out the information that he had come to Joplin for the purpose of opening an auction furniture house.

He made friends quickly and persuaded several of his recently acquired friends to cash numerous checks for him, all of which were afterward found to be worthless. It was subsequently learned that Carragin had been arrested at Kansas City, Missouri, in September, 1914, on a charge of swindling a liquor house at St. Louis; was taken back to St. Louis, released on bond and his bond forfeited.

Carragin is about 33 years of age; 5 feet 6½ inches tall; weighs about 140 pounds; black hair; dark hazel eyes; and dark complexion. Specimen of his handwriting is reproduced below.

James B. Carragin

Bank members are warned against cashing worthless checks signed "J. C. & M. B. Baker," and presented by a man representing himself to be B. J. CARLETON. He has in his possession a bank book of the Home Savings Bank, Boston, Mass., which he may exhibit for identification purposes and subsequent reliability.

Carleton is described as: age 34 years; height, 5 feet 4 inches; weight, 140 pounds; build, stocky; complexion, sandy; small light mustache; hair, light.

During the latter part of May, 1914, RAY CLAYTON was given employment by a farmer at Taylorville, Ill. In July he was given payment by check and proceeded to use it as a sample to forge his employer's name. He then passed three forged checks upon merchants of Taylorville. Clayton is described as 30 years of age; 5 feet 8 inches; dark blue eyes; dark brown hair; smooth shaven; heavy cheek bones; high forehead; slim face; medium thick lips; good manners and goes well dressed.



L. J. CODY.

On November 11th, 1914, L. J. CODY was arrested at Sioux Falls, So Dak., while attempting to pass a forged check at a member bank. He was returned to Parker, So. Dak., to stand trial there, and was sentenced to one year in prison in the South Dakota Penitentiary. Cody is a tailor by trade; is 39 years of age; five feet 3½ inches tall; weighs 122 pounds; of medium build; medium chestnut hair; blue eyes. Photograph of this man is reproduced above.

On Saturday, November 14th, after banking hours, a man using the name of FRED COLEMAN purchased from a local automobile agency in Minneapolis, Minn., a late model automobile, tendering in payment thereof two certified checks drawn on a member bank at Valdez, Alaska.

These checks later were reported to bear forged certification and Coleman was unknown at the Alaska bank; on December 7th, 1914, Coleman was arrested at Nashville, Tenn., by the local police authorities and returned to Minneapolis where he is awaiting trial before the Grand Jury. Coleman, whose real name is said to be Sidney Chappelle, has used the name W. A. Rogers, and has posed as a Government employee at Valdez. He is about 40 years of age; weighs 150 pounds; five feet 6 inches in height; florid complexion; dark brown hair; gray eyes; one crossed; wears glasses.

JOHN CREMAN was recently arrested at Rochester, N. Y., and given a short sentence in the Penitentiary on the charge of having passed a forged check upon a merchant in that city. He is of the

following description: 46 years of age; 5 feet 8½ inches in height; 186 pounds in weight; stout build; black hair (graying); blue eyes; medium complexion; dark chestnut mustache; nativity, Ireland; salesman by occupation. His Bertillon Measurements are given as follows: Ht., 45.5; O. A., 81.0; Tr., 88.4; H. L., 19.7; H. W., 15.1; C. W., 14.3; R. E. L., 6.7; L. F., 25.4; L. M. F., 8.2; L. F. A., 46.1.

An operator reported in the JOURNAL-BULLETIN of November, 1914, page 316, as having scattered worthless checks drawn on the National Bank of Hayward, a fictitious bank, was arrested in San Francisco by the local police December 9, 1914. It was ascertained that his name is F. G. CONNELL. He has passed numerous checks in Oakland, California, and is wanted by the police department of that city. No bank was defrauded through the operations of this man. He is 30 years of age; 5 feet 10 inches; 160 pounds and is clean shaven.

Mr. P. W. Hall, Secretary of the Iowa Bankers' Association, reports the operations of E. E. EVANS, also known as Ed. Garnes, who defrauded a bank at Bayard, Iowa, by the use of a fraudulent check.

His description is: Age, 20 years; height, 5 feet 8 inches; light complexion; light hair; one upper front tooth gone. He was later arrested by Gust J. Patek at Des Moines, Iowa, and returned to Bayard for prosecution.

W. C. FORDHAM, also known as W. E. Chansky, M. C. Cohen, G. D. Ulrich, and MRS. RUTH SIDEL, who has used the names Mary Nelson, Mrs. R. Walker and Hazel Hill, are under arrest at Knoxville, Tenn., and are to be tried there in criminal court on January 15, 1915. These two have defrauded many merchants in different towns by means of forged checks. Fordham gains the confidence of some prominent citizen in the town where he intends to operate, forges his name and the woman cashes the check. Fordham's description is: 25 years of age; 5 feet 7 inches in height; 130 pounds in weight; slender build; light complexion; short stubby mustache; very homely; pimples all over face. Mrs. Ruth Sidel's description is: 22 to 25 years of age; rather tall; 120 to 130 pounds; light complexion; medium build; moves very slowly and deliberately.

Information has been received that one OTIS S. GLYNN, alias George S. Otis, is issuing worthless checks, drawn upon a member bank in Buffalo, N. Y. This man represents the Illustrated North America Publishing Company of New York City, with an office in Chapin Block, Buffalo, N. Y. He has recently operated in Pennsylvania cities, having defrauded hotels at Warren and Oil City, Pa.

His description is as follows: Height, 6 feet; weight, 250 pounds; build, large; complexion, florid; smooth shaven; appearance very good; wears light suit, light overcoat and derby hat.

CHARLES L. GROVER, also known as J. B. Williams and E. E. Smith, was arrested at Excelsior

Springs, Mo., on November 23, 1914, on a charge of attempting to defraud a non-member bank in that city by means of a worthless check drawn on a Wichita, Kans., member bank.

Recently FRED I. HART defrauded numerous individuals with worthless checks drawn on a member bank at Chicago, Ill. He also impersonated a United States deputy marshal and after his arrest was secured, he was arraigned on the latter charge. It is stated that he secured about \$1,000 on these fraudulent checks.

The authorities at Evansville, Ind., recently arrested JAMES MILTON HASKELL, a worthless check operator. When searched blank checks of about twenty banks located in the south and east were found on him. He operated by buying articles from a merchant, for which he paid with a check for a little more than the price of his purchases, receiving the difference in cash. He cashed five checks in this manner in one day at Evansville. On December 2, 1914, he pleaded guilty and was sentenced to serve one to five years in Indiana State Reformatory.

Haskell is described as: 38 years old; 5 feet tall; weight, 131 pounds; stocky build; dark complexion; brown-greenish eyes; black hair turning gray; occupation salesman; four vaccine scars above left elbow; three vaccine scars above right elbow; right ring finger amputated below first joint; irregular scar across first joint middle finger, right hand; hairy breast and shoulders; head partly bald.

The Evansville authorities will be glad to receive any information as to this man's past record.

On December 14, 1914, a man claiming to be JEROME HITCHCOCK, and a representative of the Chicago Livestock Company, Chicago, Illinois, succeeded in getting a check for \$70 cashed by a member bank in Milford, Va. This check purported to be drawn by John Pettibone on a member bank in Salisbury, Md., and was endorsed by a customer of the Milford Bank. The Salisbury bank reported that they had no such account and that the party supposed to have signed the check was unknown. Hitchcock was a fine appearing man. His description is: Age, about 40 years; weight, 185 to 200 pounds; height, 5 feet 10 inches; broad shoulders; wears nose glasses; dark hair, slightly gray; smooth shaven; wore a black cutaway coat; dark pants with pin stripes; he writes a good hand.

Warrants have been secured at Springfield, Ill., for the arrest of one WILLIAM KANO on charges of forgery. It is claimed that he defrauded several merchants at Springfield, Mo. To date no member bank has suffered. No description is now available.

PAUL KUHN, who is described as about 50 or 55 years of age, 5 feet 8 or 9 inches tall, weight 155 pounds, has black hair and mustache, wears thick glasses and by nationality a German Jew, recently victimized a business house in Kansas City by means of a forged check in the sum of \$74. This man at the

present time is supposed to be in California. Specimen of Kuhn's handwriting appears below.

Paul Kuhn
3918 East 13
Paul Kuhn
\$74⁰⁰/₁₀₀

One PAUL LA CHANSE succeeded in cashing a number of worthless checks on or about December 1, 1914, at Sidney, N. Y., totaling about \$250. This man opened an account in a member bank in Syracuse, N. Y., during April, 1914, and at that time was living at Manlius, N. Y. He has lately been heard from at Charleston, S. C. He is 24 years of age, 5 feet 10 inches, 145 pounds, slight build, fair complexion, brown hair, smooth shaven.

HARRY LA VALLE, who formerly was engaged in the hotel business at Le Roy, Mich., and had a small account with a non-member bank in that city, is now drawing worthless checks against that bank. He is about 35 years of age, 5 feet 10 inches tall, weighs about 135 pounds; has sandy complexion, a light mustache, and is a cook by profession.

WALTER LE ROY, who has also given the names Emil Beyer, and Eugene R. Burr, was arrested on October 21, 1914, at White Plains, N. Y., on the charge of having passed a worthless check on a merchant of White Plains. He has been sentenced to Sing Sing prison for four years and ten months. He has two previous convictions to his record, one at Trenton, N. J., and the other at White Plains, N. Y. He is 35 years of age, 5 feet 4 1/4 inches in height, 116 pounds in weight, medium build, dark complexion, electrician by occupation.

A man using the name JIM NELSON recently operated in Altus, Okla., with checks drawn on a non-member bank at that point and swindled several business houses there. Nelson is described as 30 years of age; weight, 165 pounds; build, heavy; hair, dark brown; has a sharp chin; dresses as a business man.

HARRY QUICK, mentioned in the September, 1913, JOURNAL-BULLETIN, page 218; August, 1914, page 117 and October, 1914, page 236, is again operating and succeeded recently in passing a forged check in Nashville, Tenn.

RICHARD J. ROACH, also known as Frank Hayes, recently defrauded a number of merchants in Cripple Creek, Colo., by means of passing worthless checks upon them. It is believed that he has also operated under the name F. S. Armstrong and that his home is in Grass Valley, Cal. He is 33 years of

age; 6 feet; 196 pounds; strong build; ruddy complexion; light brown hair; blue eyes; deep chested, broad shoulders; walks slightly stooped; limps from shot wound in left ankle.

A. C. ROBERTSON, or John A. Roberts, was arrested at Philadelphia, Pa., on December 2, by city detectives, on a charge of drawing worthless checks on a member bank in that city and is held in Moyamensing prison in default of \$800 bond.

Numerous hotels and merchants in Detroit, Mich., have been defrauded recently by one E. J. SANFORD, known as E. J. Tanner, Frank E. Pomeroy, and E. J. Turner, who persists in passing out worthless checks. There is a warrant being held for this man's arrest in Detroit. He is of the following description: 18 to 20 years of age; 5 feet 8 inches in height; slim build; blue eyes; blond hair, combed straight; considered good-looking; wore a brown felt hat and a light brown tight fitting overcoat. A specimen of his handwriting is reproduced.

Edwin J. Tanner

A man about twenty-five years of age named J. E. SMITH recently passed a forged check on a man in Belleville, Kans., drawn on a member bank at Munden, Kans. It is understood that Smith has drawn several checks on this bank for small amounts, which he has cashed in different towns outside of Munden.

J. R. SMITH, also known as S. R. Ely, S. M. Ely and C. M. Moulton defrauded several merchants in the States of Arkansas, Louisiana, Mississippi, Alabama and Georgia by passing worthless checks upon them. He is a very convincing talker, claiming to be a hotel proprietor at Winnsboro, S. C. He is 50 years of age; 6 feet 2 inches tall; 225 pounds; heavy build; florid complexion; gray eyes; dark hair; smooth shaven and has appearance of southern farmer.

F. J. STEVENSON is drawing worthless checks on the Sacramento Valley Bank & Trust Company of Sacramento, Cal. Hotels and non-members of this Association have taken up these checks. This man represents himself to be a Southern Pacific engineer on a tour of inspection. He is 40 years of age; 5 feet 11 inches; 190 to 200 pounds; dark hair; florid complexion. Wears black derby hat; black suit and black overcoat.

On November 28, 1914, ABRAM STEWART, alias Arthur M. Butts, was arrested by the police authorities of Oneonta, N. Y., charged with having passed a forged check upon a merchant at that place. Stewart has passed many other forged checks. He is described as: 22 years of age; 6 feet in height; 160 pounds in weight; muscular build; dark brown hair, long and parted in middle; brown eyes; smooth

shaven and has an awkward appearance. A specimen of Stewart's handwriting is reproduced.

Abraham L. Stewart

MARTIN L. STRAUS arrived at a hotel in Boston, Mass., on November 26, 1914, and registered from St. Louis, Mo. The following day when he was leaving the hotel, he requested the cashier to forward his bill to Hanover, N. H., for collection, claiming that he was short of funds. Instead of doing this, the cashier handed Straus a hotel blank order, which Straus filled out for the required sum, drawing it upon the cashier of the Hanover National Bank, New York, N. Y. It was later learned that Straus carries no account in the above mentioned bank. He is described as: 20 years of age; 5 feet 6 inches in height; 140 pounds in weight; smooth shaven; light complexion; medium light hair; wore dark clothes.

On November 21, 1914, F. C. TOWER passed a worthless check drawn on a Belleville Mich., member bank in Detroit. It is known that this man has a check-book of the bank above mentioned in his possession. He is 175 pounds in weight; 5 feet 8 inches in height; dark hair and eyes.

A man who uses the names GODFRED TVEIT, Fred Tveit, Fred Polson and Fred Paulson has succeeded recently in cashing checks which bear the forged signature of farmers in the vicinity of Cresco, Ia. He is described as 20 years of age; 5 feet 8 inches; 150 to 160 pounds; rather heavy build; ruddy complexion; blue eyes; dark brown hair and is smooth shaven. He is supposed to have gone into Wisconsin or Minnesota or possibly into Canada.

JOSEPH B. VANCE was arrested by the police of Detroit, Mich., for passing worthless checks on business firms of that place. On November 20, 1914, he was sentenced to serve from fifteen months to fourteen years in the Michigan State Prison at Jackson, Mich.

A man known as CHARLES VOGEL recently defrauded several merchants in New York City by means of worthless checks drawn on the Trenton Trust Company, Trenton, N. J. There is no bank in Trenton under this name. Charles Vogel is described as: Age 40 years; 6 feet 2 inches; 160 pounds; slender build; reddish brown hair; sallow complexion; smooth face; hollow cheeks; high cheek bones; long face.

Glib of speech, well attired, and of pleasing personality, LIEUT. RICHARD WAINWRIGHT, JR., also known as Montgomery Milne, J. C. Henning, Lieut. J. C. Fleming, etc., has experienced but little difficulty in defrauding merchants in Chicago, Ill.; New York City, N. Y.; Brooklyn, N. Y.; Newark, N. J.; Jersey City and Elizabeth, N. J.; Waterbury, Conn. This Association was first advised of his operations during the early part of August, last year, when his checks drawn on a member bank of Boone, Ia., were accepted by several furniture dealers in Chicago.

Wainwright arranged that the amount of his check was \$20 or so in excess of the cost of the furniture, which he ordered shipped to Ames, Ia. In some

instances he was given checks instead of cash for his change. These checks he immediately had cashed by other merchants in that vicinity. At the time, Wainwright represented himself to be a consulting engineer. At the present time he is posing as a U. S. Army officer. He is described as 28 years of age; 5 feet 7 or 8 inches; 140 pounds; medium complexion; medium brown hair, cheek bones are a trifle prominent; upright carriage; bears the appearance of an Englishman. He is now drawing checks on a member bank of New Brunswick, N. J.

GEORGE V. WILSON, alias A. O. Foster, alias E. R. Davis, has recently succeeded in defrauding several merchants in the town of Phoenix, Ariz., by means of bogus checks. A warrant for this man's arrest has been issued at Phoenix, County of Maricopa, Ariz., and J. D. Adams, sheriff of the above named county, states that he will pay a reward of twenty-five (\$25.00) for this man's arrest and will extradite. Wilson is described as 35 years of age, about 5 feet 6 inches in height, 155 pounds in weight, heavy set, dark brown hair, smooth shaven, blue eyes, fair complexion, has worked as a shoe and drygoods clerk. He wore a dark Milton suit with invisible check. He has not defrauded or attempted to defraud any member of this Association with his checks.

On December 9, 1914, W. B. WILSON attempted to pass two worthless checks on a member bank at Los Angeles, Cal. He was on the same day arrested by our Detective Agents at Los Angeles and detained for forty-eight hours, but was finally released. He is 31 years of age, 5 feet 10 inches in height, 170 pounds in weight, greenish gray eyes, brown hair, built well, broad shoulders, wore dark suit, derby hat, black shoes, pleasant talker, good appearance; nativity, Union, Ore.; occupation, soliciting and promoting schemes, has knowledge of law. Below is reproduced a sample of his signature.

W. B. Wilson

J. W. WRIGHT, also using the names of Hunt, Doyle, Hayes, Star, White, Lewis, Stein and Walsh, but always with the initials "J. W." and claiming to represent the Wayne Oil Tank & Pump Company of Fort Wayne, Ind., has passed numerous worthless checks on merchants throughout the country.

Bank members should warn their customers against cashing any checks signed by the Wolf Envelope Company, and drawn on the Franklin Trust Company of Philadelphia. The Wolf Envelope Company is no longer in existence and never had an account with the bank on which the checks are drawn.

A member bank of Syracuse, New York, carried an account for the Kolledj Klan, a fraternity in connection with the Syracuse University of which one J. F. Fagan is treasurer. During July when Mr. Fagan was away on his vacation someone secured a check of the fraternity, forged Mr. Fagan's name, and cashed same at a customer's place of business.

ARRESTED.

BOB ANDREWS.

As a result of the quick and creditable work of Mr. I. F. Craven, Cashier of the Bank of Ramseur, Ramseur, N. C., on December 12, 1914, a man was arrested who has defrauded banks, bank depositors and merchants in every State in the Southeast with checks and drafts.

In March of the present year this man first began his operations. Since then the continued success that he has met with in these transactions is little less than remarkable.

On no occasion did he use the same name. One week, at one town, he was J. L. Lea of the Crescent Wholesale Drug Company. The next week, in another town, he was M. O. Adams of The Councils Stationary Engine & Boiler Company, of Washington, D. C. Though he changed his names and business representations freely, he never changed his style and characteristics of penmanship. The writing on all his checks was readily recognized to be the work of one hand. Thus favored, our Detective Agents have identified this man under some twenty-five different and assumed names and since March are aware that he has claimed to represent almost as many fictitious concerns.

Full accounts of his operations were repeatedly published in the JOURNAL-BULLETIN, but still his operations continued, until the 12th of December, when he attempted to secure another victim with his worthless checks, advancing upon Cashier I. F. Craven. Mr. Craven attributes the arrest that followed to membership in the American Bankers Association, stating that the JOURNAL-BULLETIN'S warning articles had him prepared for this operator's appearance. He immediately wired our Detective Agents to learn if they could further identify C. A. Andrews, alias J. O. Carter, the man under arrest. In short order Cashier Craven was informed that he had arrested none other than BOB ANDREWS, also known as M. O. Adams, J. L. Lea, R. J. Graves, O. B. Blake, F. L. Davis, J. B. Winston, T. A. Turner, B. S. Meyers, B. S. Clayton, L. C. Clarke, T. B. Wright, H. T. Pope, E. C. Bobbitt, Clarence Andrews, J. O. Carter, etc., whose operations are cited above. Other concerns Andrews claimed to represent were "The Councils Stationary Engine & Boiler Company of Washington, D. C.," "The Louisiana Wholesale Provision Company," "The Independent Refining Company," "The American Tobacco Company," etc.

Banks and their customers should give this matter their immediate attention and if satisfied that they have suffered as a result of his operations, they should have warrants sworn out for him and lodge these warrants at once with Sheriff Birkhead of Asheboro, N. C.

We give herewith Andrews's description: 23 to 25 years of age, 5 feet 7 inches in height, 150 pounds in weight, fair complexion, dark hair, dark eyes, smooth shaven, fluent talker, discusses almost any subject with seeming intelligence, well dressed and genteel in appearance.

See JOURNAL-BULLETINS: April, 1914, page 692; June, 1914, page 832; October, 1914, page 230; December, 1914, page 388.

LAURA CATHERMAN was arrested in Kansas City, Mo., by our Detective Agents, assisted by the local police department, for passing numerous forged checks in that city, through which a member bank in Rosedale, Kans., was the loser. This woman also defrauded numerous business houses in Kansas City, Mo., by means of forged checks. She is described as about 35 years of age; height, 5 feet 4 or 5 inches; weight, 120 pounds; dark hair and dark eyes.

After being arrested this woman claimed to be very ill and was taken to the General Hospital, where she is being held at the present writing.



FRANK L. CHAPIN.

FRANK L. CHAPIN, who has also given the names Charles Moffitt and Harry Shaw, and whose photograph is reproduced above, was on December 7, 1914, arrested at Burlington, Vt., by the police authorities of that place, and charged with having defrauded member banks by means of forged checks at New Britain, Conn., Norwich, Conn., White River Junction, Vt., etc. Chapin has been returned to Norwich, Conn., and bound over to the next term of the Superior Court. He is described as 32 years of age, 5 feet 11 inches in height, 180 pounds in weight, good build, light brown hair, light complexion, born in the United States and is a farmhand by occupation. July, 1911, JOURNAL-BULLETIN, page 36.

E. C. CRAWFORD, who defrauded a bank member at Atlanta, Ga., by means of a forged endorsement, was on December 4, 1914, arrested in that city by our Detective Agents and the local police and confessed to the above-mentioned forgery. This matter was reported by the member bank on November 16, 1914.

On December 16th, 1914, B. H. DAKE was arrested at Portland, Oregon, by the city police on a charge of having defrauded a member bank at Condon, Ore., by means of checks bearing the forged signature of Dake's employer, which checks had been cashed by Condon merchants, the Oregon Bankers' Association having co-operated in this investigation.

Dake is about 25 years of age, 5 feet 9 inches in height, weighs 175 pounds, stout build, sallow complexion, brown eyes, light brown hair, and a farmer and circus hand.

JOHN DEPPO was arrested by our Detective Agents at Kansas City, Mo., December 16, 1914, on

a charge of defrauding a member bank at Kansas City by means of a worthless check.

Deppo, who posed as a grading contractor, is about 30 years of age, 5 feet 11 inches tall, weighs 180 pounds, heavy build, light complexion, light hair and eyes, and usually poorly dressed.

A member bank of Houston, Texas, sustained a loss of \$50 on December 12th, 1914, through the passing of a forged check for a man named ABE FISCH. The matter was promptly reported to our detective agents and Fisch was apprehended the same day through the identification of one of the tellers of the bank.

Fisch presented a check payable to Cash, forging the signature of his mother. He is described as 17 years of age, 5 feet 3 inches in height, 116 pounds, dark complexion, black hair, dark brown eyes, and has a decided Jewish cast of features.

Fisch confessed after his arrest, and is now awaiting the action of the Grand Jury.

FRANK G. HOHL, who has used the names Frank G. Carroll and Frank G. Wilson, and who has terrorized the entire country by his daring and sensational methods of holding up and robbing banks and others, during the month of December drove up to a non-member bank in Cincinnati, Ohio, in a stolen automobile, entered the bank and robbed it of \$8,000, took to the car again, stopped at another non-member bank, fired twice at the cashier, snatched up \$5,100 and for the second time that day got his booty safely from the bank.

The police then began a search of the town and at a rooming-house their knock was answered by a fusillade of shots. A second later Hohl, who it was later learned to be, went dashing by them into the street, and jumped into an automobile that stood nearby. On turning the corner he went crashing into a telegraph pole and was forced to take to foot. The police gained upon him and a few moments later he fell with four bullets in his body, from which he died shortly afterwards. This man's criminal career dates back to his boyhood days. Though he was only twenty-nine years of age, he was known to all police departments. His description and photo appear in the September, 1914, JOURNAL-BULLETIN, page 829.

At Albuquerque, N. Mex., on December 17, 1914, C. H. JOHNSON, also known as Clifford Johnson, was apprehended and charged with defrauding a member bank of the town above named. He is 20 years of age, 5 feet 6 inches in height, 165 pounds in weight, stocky build, chestnut hair, blue eyes and fair complexion.

R. F. LOUNSBERRY, who has used the names George W. Snider, Sam C. Clements, and John J. Adams, and who was wanted for defrauding a member bank in Denver, Colo., and in Pueblo, Colo., was arrested on December 3, 1914, by United States Postoffice Inspectors, accompanied by one of our detective representatives.

It is alleged R. F. Lounsberry would write fictitious letters to himself enclosing checks for the supposed sale of stock. He would later use such checks to defraud banks.

This man has been referred to in the JOURNAL-BULLETIN of October, 1914.

JOHN McDUFFY, who has used the name John Markman and of whom mention is made on page 315, November, 1914, issue of the JOURNAL-BULLETIN, gave himself up to the sheriff at Akron, Ohio, and is now held awaiting trial. McDuffy recently forged his employer's name to a check and passed it at a member bank at Twinsburg, Ohio, defrauding the bank out of \$87.

HOWARD and BOYD McKOANE, accomplices of JOHN BOYD, of whom mention is made in the JOURNAL-BULLETIN of November, 1914, page 311, and December, 1914, page 394, were arrested in Toledo, Ohio, on November 20, 1914, and returned to Cleveland, Ohio, on November 24th, to be arraigned on a charge of forgery.

PERCY G. MAYHEW, also known as P. G. Maynard, of whom mention is made in the JOURNAL-BULLETIN for November, 1914, page 312, was on December 10, 1914, arrested at Aurora, N. Y., by a representative of our Detective Agents' Buffalo office, and the sheriff of that county. Mayhew was returned to Grand Rapids, Mich., for prosecution, where he had succeeded in defrauding a member bank by forgery and fraudulent misrepresentation.



GEORGE MORRISON.

GEORGE MORRISON, whose likeness is shown above, was arrested at the request of our Detective Agents by Sheriff Evans at Creston, Iowa, on November 23d for defrauding a member bank in Kansas City, Mo., by means of a check on which he had forged the endorsement of the rightful owner. Morrison was returned to Kansas City, where he entered a plea of not guilty, and is at the present time awaiting trial. Sample of this man's handwriting appears below.

Geo. Morrison.

HUGO NATHAN, also known as Louis Nathan, was recently arrested in Litcher, La. He was returned to Vicksburg, Miss., for trial, pleaded guilty and is now awaiting sentence. He is also wanted for defrauding a member bank at Little Rock, Ark. See JOURNAL-BULLETIN, February, 1914, page 579.

H. W. NORWOOD, who succeeded in defrauding two membership banks at Cumberland, Maryland, on November 10th, 1914, was arrested by the police of Cumberland, Maryland, December 4th, 1914. His operations have been previously reported in the December JOURNAL-BULLETIN, page 391.

HARRY PHELPS, mentioned on page 389 of the December, 1914, JOURNAL-BULLETIN, as having defrauded a member bank at Winnipeg, Man., by means of forgery, was arrested on November 25th, at Chicago, Ill., by local police officers, and returned to Canada to stand trial.

JOSE VAGRAS RIVERA, alias Luis Cot, was arrested by a representative of our Detective Agents and a member of the New York City Detective Bureau on December 7, 1914, for attempted grand larceny, as he was leaving the offices of a banking firm on Broad Street, New York City.

On December 4, 1914, Rivera, under the name Luis Cot, tried to obtain \$4,000 from a downtown member bank by presenting a letter of credit for that amount, purporting to have been issued to him by S. Michelena, San Domingo. The cashier suspected a forgery and deferred payment until he had assured himself that it was.

Rivera is described as 21 years of age, 5 feet 10 inches in height, 140 pounds in weight, slender build, mellow complexion, black hair, dark brown eyes, wears glasses.

A member bank at San Francisco reports being defrauded by four forged checks. This matter upon being reported to our Detective Agents was promptly investigated, with the result that MRS. M. SCHULER was arrested with the assistance of the police department. Immediately upon being confronted with the evidence Mrs. Schuler confessed her guilt and is now confined in jail awaiting trial.

She is described as: Nationality, German; age, 19 years; height, 5 feet 6 inches; weight, 145 pounds; hair, brown, and rosy cheeks.

The California Bankers' Association co-operated with this Association in this matter.

On November 27, 1914, WILLIAM H. SHULER, who defrauded a member bank at Williamsport, Pa., by means of a worthless check, was arrested by the police authorities of Rochester, N. Y. JOURNAL-BULLETIN, September, 1914, page 177.

CLARENCE B. STUART, who claims to be a trained nurse, was arrested November 25, 1914, at the instance of the Houston office of our Detective Agents, for the forgery of two \$60 checks, reported by a member bank of that city on November 24th, 1914.

Stuart forged the name of one of our members' depositors, whose husband he had recently nursed through a long illness.

He is a morphine user, and is described as being 35 years of age, 5 feet 7½ inches in height, 140 pounds

in weight, fair complexion, black hair, dark eyes, slender build, and smooth shaven.

Stuart, who claims to come from Leesville, Va., is now awaiting the action of the Grand Jury.

JACK WALTERS, alias John Reifsnider, etc., of whom mention is made on page 313 of the November, 1914, issue of the JOURNAL-BULLETIN, was arrested in Franklin, Ohio, on December 8, 1914, on information furnished by our Detective Agents, and will be returned to Hastings, Nebraska, where he defrauded a member bank through forged checks.

MRS. EVA WILLIAMS was recently arrested and charged with having assisted George W. Rittenhouse, alias George Herbert, etc., in his swindling operations. See JOURNAL-BULLETIN, November, 1914, page 322.

REMOVED.

NELS ANDERSON, who, on October 2nd, 1914, was arrested while attempting to hold up a bank member, at Gilford, Montana, has been placed in the State Hospital for the Insane at Warm Springs, Montana.

If his cure is effected charges will be filed against him and he will be prosecuted for the attempted holdup.

GEORGE ANGEL, also known as George Steif, George Steifweiter and George Anton, arrested July 23d, 1914, and charged with forgery, was on November 20, 1914, tried and convicted at East Ely, Nevada, and on November 24th sentenced to the State Penitentiary at Carson City, Nevada, for one to five years.

GIRARD BROGARD, arrested in Miles City, Montana, on September 10, 1914, for defrauding a member bank at Billings, Montana, has been released from custody.

JAMES H. CAMERON, an account of whose operations against a member bank of Galveston, Tex., was given on page 229 of the October, 1914, JOURNAL, has been given a suspended sentence of two years, and turned over to the United States Army authorities, where he is serving a short term for desertion.

Cameron turned over about \$1,200 worth of property to the bank in question, which together with his plea of guilty had considerable weight with the jury. He will not be called upon to serve this two years' sentence unless he commits another felony.

LAWRENCE COMERFORD entered a plea of guilty to obtaining money under false pretenses before Judge Latshaw in Kansas City, Mo., on December 15th, and was sentenced to two years in the State Penitentiary at Jefferson City, Mo.

See JOURNAL-BULLETIN, November, 1914, page 313, and December, 1914, page 402.

E. C. CRAWFORD, whose arrest is reported elsewhere in this issue, was on December 4, 1914, released from custody.

B. H. DAKE, whose arrest is reported elsewhere in this issue, pleaded guilty to the charge of forgery

against a member bank at Condon, Ore., and was sentenced to the Oregon State Penitentiary, Salem, Ore., for a term of from 2 to 20 years.

WILBUR LEE DELAHOUSSEY, who was arrested June 19th, 1914, in Philadelphia, was sentenced to a term of six months in the Moyamensing State Prison of Philadelphia, Pa., on June 19th, 1914.

JOHN DEPPO, mentioned elsewhere in this issue, was released December 16, 1914, because of insufficient evidence to convict.

WESLEY J. FRIERSON, who was arrested on October 3d, 1914, for the attempt to swindle a member bank, in Denver, Colo., was released from custody and paroled to his brother at the suggestion of the prosecuting attorney.

Relative to TINY FUTRELL, arrested for cashing a raised check, we have been advised that Futrell was sentenced to two years and paroled, he paying all damages, costs, etc. JOURNAL-BULLETIN, July, 1914, page 50.

CARL GILLUM, also known as D. C. Steadman, Douglass C. Steadman and D. Calvin Steadman, arrested recently on the charge of passing a forged check on a member bank at Milford, Ill., was released. JOURNAL-BULLETIN, August, 1914, page 110, and November, 1914, page 321.

A. B. GILSON, whose arrest was reported in the December, 1914, JOURNAL-BULLETIN, page 402, was on December 12th, 1914, given a second parole with the understanding that he return to his home in Minneapolis, Minn.

S. H. GRAY, alias S. G. Gray, alias John Johnson, alias Mack Calvell, alias G. A. Betts, alias J. A. Betts, who was arrested on November 12th, 1910, at Athens, Tenn., was in December of that year sentenced to fifteen months at hard labor. When this sentence was completed he left Athens for Waynesville, N. C. Gray succeeded in defrauding a member bank of Waynesville, N. C., by means of a forged check for \$200. JOURNAL-BULLETIN, December, 1910, page 388.

WALTER HANDWERK, also known as Walter Handworth, Dick Brown, Richard Miller and Andrew Warren, and who defrauded a member bank at Corona, L. I., during September, 1914, by means of a forged check, was on November 23, 1914, sentenced to six months in the New York Penitentiary on this charge.

R. W. HOWARD, forger, arrested June 16th, 1914, succeeded in having his case at Fort Smith, Ark., dismissed. JOURNAL-BULLETIN, July, 1914, page 50.

REGINALD JACKSON, arrested in Denver, Colo., on September 3d, 1914, on charges of having overdrawn an account, was released from custody.

HAIG KAZANSIAS, who was reported in the December JOURNAL-BULLETIN as having been arrested in connection with the hold-up of a member bank at Sedro Woolley, Washington, was subsequently released.

EDWARD R. LESSAR, who is shown in the JOURNAL-BULLETIN for August, 1914, page 114;

September, 1914, page 178; and December, 1914, page 402, and who was arrested at Ladysmith, Wis., November 12, 1914, was sentenced on December 7, 1914, to a period of three years in the Wisconsin State Prison, by Judge C. A. Fowler. However, Lessar was immediately placed on probation.

VIOLET LONG, who was arrested last September by the Wildwood, N. J., police, assisted by our Detective Agents, for forgeries committed on a member bank in that city, came to trial on December 15, and was acquitted.

ED. McDANIELS, alias George W. Bradley, alias W. R. Shaw, was recently sentenced at Lawrence, Kans., on two counts of forgery and given one to ten years on each count. He was sentenced to the penitentiary. JOURNAL-BULLETIN, December, 1914, page 403.

JAMES MCGINNESS, mention of whose forgery operations against member banks in Houston, Tex., will be found on page 230 of the October, 1914, JOURNAL, and again on page 322 of the November, 1914, JOURNAL, has been sentenced to serve four years in the Texas State Penitentiary at Huntsville.

MRS. MCKINLEY and her daughter RUTH MCKINLEY, who were arrested in Williamsport last June, in connection with forgeries on a member trust company in that city, recently came to trial and pleaded guilty. Owing to unfortunate and peculiar circumstances surrounding this family, the court suspended sentence.

HOWARD and BOYD MCKOANE, of whom mention is made on another page of this issue, entered a plea of guilty to a charge of forgery, on December 2nd, 1914, and were sentenced to serve indeterminate terms at the Ohio State Reformatory.

HARRY PHELPS, whose arrest is reported in the columns of this issue, has been found guilty of the charge against him and given a suspended sentence of five years.

R. RAPHAELS, who has used the names D. C. Cane, D. Donati, C. Case, D. C. Stone, D. C. Lane and D. C. Case, and mention of whom was made in the JOURNAL-BULLETIN of June, 1914, page 830, and August, 1914, page 117, was tried and convicted at Seattle, Washington, and sentenced to the Washington State Penitentiary, Walla Walla, Washington, for first degree forgery, where he is now serving under the name of D. Lane.

GEORGE W. RITTENHOUSE, alias Frank H. Robinson, alias L. R. Wilson, alias George Herbert, arrested October 16th, 1914, at New York City, was on November 30th, 1914, sentenced to serve from four and one-half years to seven years in the State Prison at Trenton, N. J. EVA WILLIAMS, mentioned elsewhere in this issue, was sentenced to the State Reformatory for Women at Clinton, N. J., for a period of 13 months.

DOW SCHOONOVER, alias Dow Griffin, mentioned on page 403, December JOURNAL-BULLETIN, as having been arrested at Great Bend, Kansas, for forgeries perpetrated against a Parkersburg, West

Virginia member bank, and who was to be returned to Clay County, West Virginia, to stand trial, pleaded guilty to forgeries charged against him at Clay, West Virginia, and has been sentenced to serve five years in the West Virginia State Penitentiary at Moundsville.

WILLIAM H. SHULER, whose arrest is reported elsewhere in this JOURNAL-BULLETIN, was released from custody. JOURNAL-BULLETIN, September, 1914, page 177.

WALTER R. STOLTZ, who has also given the names W. R. Harley and W. A. Laidlaw, was arrested in Portland, Oregon, by the Detective Bureau of the Police Department, assisted by our Detective Agents, on a charge of defrauding several merchants and attempting to defraud a member bank at Portland by means of forged certified checks. He pleaded guilty and was given a sentence of 2 to 10 years in the Oregon State Penitentiary, Salem, Oregon, but was immediately paroled. See November, 1914, JOURNAL-BULLETIN, page 323.

R. A. THOMPSON, JR., alias W. A. Thompson, mentioned on page 182 of the September, 1914, JOURNAL, was brought to trial recently in Little Rock, Ark., and pleaded guilty to two charges of obtaining

money under false pretenses. He was sentenced to two years in the Arkansas State Penitentiary.

On November 5th, 1914, HERBERT W. VAN SCIVER was arrested by our Detective Agents, assisted by the police authorities of Stamford, Connecticut, on the charge of having defrauded a bank member at Mountclair, N. Y. The complaint against Van Sciver was dismissed by the Grand Jury at the request of the complaining witness. See December, 1914, JOURNAL-BULLETIN, page 404.

KATE WELLS, who has used the names Mrs. A. J. Stewart, Mrs. Phoebe Yancy, Mrs. Frank B. Kennedy, etc., and of whom mention is made in the JOURNAL-BULLETIN of July, 1914, page 51, was recently arraigned in the Criminal Court of Cincinnati, Ohio, and the case against her was annulled.

BEIT WOLFF and — COOPER, arrested in Germany during May, 1913, for forgery committed against a member bank in New York City and whose names have since been carried in the Awaiting Trial list, because the proper action was not taken in regard to the extradition of these men, they had their cases stricken from the docket. This case can be revived, however, if at any time information should be received that Cooper and Wolff are still in custody and can be extradited to this country.

AWAITING TRIAL, EXTRADITION OR SENTENCE, JANUARY 1, 1915

ALLEGED FORGERS, ETC.

Andrews, Bob, December 12, 1914, arrested; swindle Ramseur, N. C.

Bach, Edward, November 17, 1914, arrested; forgery New York, N. Y.

Bazzell, Charles, February, 1914, arrested; swindle Pryor, Okla.

Berry, Aurelia Mildred, July 7, 1914, arrested; forgery New Orleans, La.

Bingemer, C. T., November, 1914, arrested; forgery Tulsa, Okla.

Bishop, Louis, October 2, 1914, arrested; forgery San Francisco, Cal.

Blass, Aline Davis, September 25, 1914, arrested; forgery New York, N. Y.

Bobnich, Robert, October 10, 1914, arrested; forgery Choteau, Mont.

Bonchea, Benjamin, July 30, 1914, arrested; swindle Philadelphia, Pa.

Braun, F. A., July, 1914, arrested; forgery San Antonio, Tex.

Bundy, H. C., August 7, 1914, arrested; forgery San Francisco, Cal.

Bush, J. A., May 29, 1913, arrested; forgery Wenatchee, Wash.

Cantrell, T. M., March 16, 1914, arrested; swindle Claremore, Okla.

Carter, C. C., August 15, 1914; arrested; forgery Birmingham, Ala.

Catherman, Laura, December 19, 1914, arrested; forgery Rosedale, Kan.

Chapin, Frank L., December 7, 1914, arrested; forgery New Britain, Ct.

Cooper, C. S., March 7, 1914, arrested; swindle Cordell, Okla.

Cox, Charles, September 23, 1914, arrested; forgery Bellhaven, N. C.

Curtis, Edwin A., December, 1913, arrested; forgery Stryker, Ohio.

Cuyle, W. G., October, 1914, arrested; forgery Chillicothe, Mo.

Davis, William T., June 27, 1914, arrested; swindle Yuma, Colo.

Farlow, A. P., April 1, 1914, arrested; forgery Columbia, S. C.

Fisch, Abe, December 12, 1914, arrested; forgery Houston, Tex.

Frich, Tona, October 10, 1914, arrested; forgery Choteau, Mont.

Fuentes, Frank San Elmo, July 30, 1914, arrested; forgery Philadelphia, Pa.

Goelitz, G., September, 1914, arrested; forgery Chicago, Ill.

Guy, Ray, September 10, 1914, arrested; forgery Oxnard, Cal.

Hardman, Carl, September 2, 1914, arrested; swindle Vincennes, Ind.

Heild, Jessie, September 25, 1914, arrested; swindle New York, N. Y.

Johnson, C. H., December 17, 1914, arrested; forgery Albuquerque, N. M.

Kelly, Margaret, October 11, 1914, arrested; forgery St. Louis, Mo.

Kelly, Robert M., June 8, 1913, arrested; swindle Bishopville, S. C.

Kirlin, Loretta, August 15, 1914, arrested; forgery Annapolis, Md.

Klarch, George, October 10, 1914, arrested; forgery Choteau, Mont.

Konvalinka, Louis, November 17, 1914, arrested; forgery Brooklyn, N. Y.

Kreleberg, Harry, February, 1914, arrested; forgery New York City.

Lambright, F. A., August 11, 1914, arrested; forgery Belleville, N. J.

Larson, John B., October 27, 1914, arrested; forgery Juneau, Alaska.

Long, Robert, November 14, 1914, arrested; forgery Wildwood, N. J.

Loundsberry, R. F., December 3, 1914, arrested; forgery Pueblo, Colo.

Lundlin, Carl, September 26, 1914, arrested; forgery East Grand Forks, Minn.

McDuffy, John, December, 1914, arrested; forgery Twinsburg, Ohio.

McKay, D. H., November 11, 1914, arrested; forgery San Francisco, Cal.

McKellop, Tom, March 20, 1914, arrested; swindle Holdenville, Okla.

McKellop, William, March 20, 1914, arrested; swindle Holdenville, Okla.

McKinley, Maynard, March 10, 1914, arrested; forgery Idabel, Okla.

Mayhew, Percy G., December 10, 1914, arrested; forgery Grand Rapids, Mich.

Mellis, Charlie, July 16, 1914, arrested; forgery Decatur, Ala.

Messinger, Andrew, October 21, 1914, arrested; forgery Bath, Pa.

Miller, Earl, October 11, 1914, arrested; forgery St. Louis, Mo.

Morrison, George, November 23, 1914, arrested; forgery Kansas City, Mo.

Nathan, Hugo, December, 1914, arrested; forgery Little Rock, Ark.

Norwood, H. W., December 4, 1914, arrested; forgery Cumberland, Md.

Parmeter, Oren, September 15, 1914, arrested; swindle Albion, Ind.

Posselt, Charles A., July, 1914, arrested; forgery Worcester, Mass.

Preston, Harold W., November, 1914, arrested; forgery Boston, Mass.

Rabiner, Jules C., August, 1914, arrested; swindle New York, N. Y.

Ramsey, Leo, October, 1914, arrested; swindle Carlisle, Ind.

Richason, M., January 1, 1913, arrested; swindle Kansas City, Mo.

Rich, L. M., October 27, 1914, arrested; forgery Topeka, Kan.

Riche, A. L., October 16, 1914, arrested; swindle Boston, Mass.

Rivera, Jose Vagras, December 7, 1914, arrested; forgery New York, N. Y.

Rogers, C. R., August, 1912, arrested; forgery Cordele, Ga.

Rowland, William, May, 1914, arrested; forgery Hartman, Ark.

Ryan, Jack, October 20, 1914, arrested; forgery Ortonville, Minn.

Schuler, Mrs. M., December, 1914, arrested; forgery San Francisco, Cal.

Scrullis, Nellie, November 2, 1914, arrested; forgery Heavenor Okla.

Smith, Clarence Clark, November, 1914, arrested; forgery Tulsa, Okla.

Smith, D. K., September 22, 1914, arrested; swindle Huntsville, Ala.

Smith, J. T., February, 1914, arrested; swindle Purcell, Okla.

Spencer, H. E., January, 1914, arrested; forgery San Francisco, Cal.

Stevens, E. M., March 10, 1914, arrested; swindle Millertown, Pa.

Stone, George, December, 1913, arrested; forgery Lindsay, Cal.

Stuart, Clarence B., November 25, 1914, arrested; forgery Houston, Texas.

Sturgis, R. E., July 3, 1913, arrested; swindle Jennings, La.

Sullivan, C. E., August 15, 1914, arrested; forgery Ensley, Ala.

Sullivan, Charles, September 7, 1913, arrested; swindle Munfordville, Ky.

Travis, C. L., November 7, 1914, arrested; forgery Colorado Springs, Colo.

Vojvodic, Kafo, October 10, 1914, arrested; forgery Choteau, Mont.

Walters, Jack, December 8, 1914, arrested; forgery Hastings, Neb.

White, Della, November, 1914, arrested; forgery Kansas City, Mo.

Wise, Tessie, January 7, 1914, arrested; forgery San Francisco, Cal.

Wolf, L. E., October 29, 1914, arrested; forgery Champaign, Ill.

BURGLARS AND HOLD-UP ROBBERS.

Dropp, B. W., February, 1914, arrested; attempted hold-up Tacoma, Wash.

Edwards, Gilbert, October 3, 1914, arrested; hold-up Salt Lake City, Utah.

King, Alex., September 18, 1914, arrested; burglary Lincoln, Ala.

Powells, John, September 28, 1914, arrested; burglary Lincoln, Ala.

STATISTICS OF THE WORK OF THE PROTECTIVE DEPARTMENT. AS REPORTED TO THE PROTECTIVE COMMITTEE.

From September 1, 1914, to December 31, 1914.

New York, N. Y., January 1, 1915.

Persons arrested, discharged, convicted, fugitives, awaiting trial, etc.

	Awaiting Trial, etc., September 1, 1914.	Arrested since September 1, 1914.	Arrests in December, 1914.	Total.	Convicted.	Discharged or Acquitted.	Escaped, Fugitive, Dead, or Insane.	Awaiting Trial.
Forgers.....	92	88	23	111	87	29	4	83
Burglars.....	..	4	..	4	2	2
Hold-up robbers.....	3	4	1	5	3	1	2	2
Sneak Thieves.....	..	1	..	1	..	1
	95	97	24	121	92	31	6	87

Protective Work of State Associations

FROM ARKANSAS:

L. Bob Lancaster is the pseudonym of a six-foot, blue-eyed, clean-faced, dark-haired operator who claims that he was once with the 101 Ranch Show. He also claims to have a balance of \$27,000 with the First National Bank of El Paso, Texas, against which he draws checks liberally. He has, the report says, been covering the State of Arkansas with worthless checks. Last heard from in Hot Springs and there is reason to believe he has a confederate in Little Rock. He is neatly dressed, plausible and dangerous. See JOURNAL April, 1913, page 682.

FROM MICHIGAN:

A Harry La Valle is operating in Ohio and Michigan. He has apparently in his possession a check book of the LeRoy Exchange Bank. He is said to be about 35, sandy complexion, 5 feet 10 and by occupation a cook. See General.

FROM NEW MEXICO:

Checks purporting to be issued by the United States Geological Survey Field Service, on printed forms with an eagle at the left hand, drawn on the Treasurer of the United States, and signed "Field," disbursing officer, of field disbursing office, are being passed. Operator uses names of Michael Conley or Connelly, C. W. Donnelly, and W. E. Eads.

Should any of these checks appear, notify R. K. Goddard, Denver, Colo., immediately by telegraph, using Government rate, and sending collect.

CAUGHT IN TEXAS:

From Nebraska comes the report of a man who has favored the Farmers & Merchants Bank of De Witt by drawing checks against an account he didn't have. The items came in from Camas and Centralia in the State of Washington. The enterprising operator was traced to Sylvester, Texas, whence a wire was sent to De Witt inquiring as to the worth of a check drawn against the Farmers & Merchants Bank there. The man kept a jump ahead of the sheriff until he reached Wichita Falls, Texas, where he was arrested. The Nebraska report concludes with the statement that in these days of everlasting legal technicalities the job is only half completed when the arrest is made.

The California Bankers' Association has issued a warning against an itinerant operator whose particular method is to begin negotiations for the purchase of a business soon after his arrival in a town. After establishing himself as a prospective business man in the community he opens a bank account by depositing a certified check against some eastern bank. The certified checks are fraudulent. The man has operated under the name of F. Holtz, O. B. Brooks, Albert Neis, J. M. Weiss, T. E. Moncreif, F. M. Clark. He is about 30, 5 feet 7, medium build, sandy hair, wears heavy glasses and is decidedly German in appearance. See JOURNAL December, 1914, page 392.

From Nebraska comes warning to look out for apparently genuine bank drafts on Seaboard National Bank of New York drawn by the National Bank of Carlsbad, New Mexico. The drafts are all numbered

-B.9600 on yellow paper stock, plain black type except the number and the Seaboard's name which are in red. A protectograph is used on them. Operator described as 50; weight, 150; hair, partly gray; blue eyes; 5 feet 6 in height. Wire Nebraska Bankers' Association, Omaha.

FROM MISSOURI:

Lost or Stolen—Certificate of deposit No. 58 for \$500, dated Jan. 19, 1914, issued by Citizens Bank, Higbee, payable to Venise Starkey.

Certificate of deposit No. 749 for \$1,000, dated April 14, 1914, issued by bank of Fair Grove, payable to C. L. Potter.

Certificate of deposit No. 247, dated June 5, 1914, issued by Farmers Bank of Strasburg, Mo., in favor of Cleopatra Perkins.

It is reported that one H. E. Calhoon is attempting to pass worthless drafts drawn presumably by the State National Bank of Artesia, New Mexico, on the National Park Bank of New York. A member bank in Laredo cashed one on the indorsement of the landlord of the hotel where Calhoon was stopping. Information from Artesia is that a number of such drafts have been negotiated. Calhoon is described as follows: Age, 50; height, 5 feet 6; weight, 140; hair and complexion, sandy; smooth face; partly bald. He claims usually to be a dealer in New Mexico irrigated lands and travels with a good looking woman about 30.

A member at Rolla describes a scheme recently executed in that city: A well dressed young man claiming to be the son of an alumnus of the Rolla School of Mines and a representative of the American Smelting & Refining Co., New York, presented himself at the School of Mines. His plausible story and apparent familiarity with mining propositions enabled him to ingratiate himself with several leading members of the faculty, and finally with an official of the school, whom he induced to indorse for identification, a check of considerable size purporting to be drawn in his favor by the above company. Upon this endorsement, the member honored the check, which proved to be a forgery. Description: Age, about 30; height, 5 feet 8 inches; complexion, dark; hair, black; smooth shaven; writes a good hand and uses choice language.

COMPARATIVE THRIFT IN UNITED STATES.

How does the Thrift of the United States Compare with Other Countries?

Undoubtedly there are a great many forms of thrift in the United States impossible to measure, as, for instance, where people are continually putting back into their enterprises their surplus. However, judged by a proper standard which can be measured, namely, the percentage of savings depositors to population, and including the savings depositors in all classes of institutions which receive savings deposits, the United States makes the poorest showing of any of the great civilized countries of the world. The percentage in this country is but 22 per cent., compared with England's 33 per cent.; and Japan, France and Germany all rank higher than England, with the largest percentage in some of the smaller countries, such as Switzerland, Norway and Sweden.

AMERICAN INSTITUTE OF BANKING BULLETIN

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1917—FRANK C. BALL, Mississippi Valley Trust Co., St. Louis, Mo.; FRANK B. DEVEREUX, National Savings & Trust Co., Washington, D. C.; R. S. HECHT, Hibernia Bank & Trust Co., New Orleans, La.; JOHN W. RUBECAMP, Corn Exchange National Bank, Chicago, Ill.

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ORGANIZED EDUCATION

THE AMERICAN INSTITUTE OF BANKING Section of the American Bankers Association is devoted to the education of bankers in banking and the establishment and maintenance of a recognized standard of education by means of official examinations and the issuance of certificates of graduation. To qualify students for official examinations for Institute certificates, which are termed final examinations, the Institute provides a standard course of study in the form of serial textbooks and collateral exercises. No additional text-literature is required. Such study course is divided into two parts. Part I is entitled "Banking and Finance." Part II is entitled "Commercial and Banking Law." The fact is recognized that average students get little benefit from text-books or lectures without collateral examinations. Text-literature and lectures are educational food. Examinations are the process of digestion. The mind as well as the body requires exercise, and the student who ducks or dodges examination is like the dyspeptic who bolts his food or the athlete who side-steps his training. The fact should be appreciated that examination is something more than measurement and certification. Students who realize that they are to be examined pay closer attention to their lessons. The process of examination also corrects omissions and misconceptions otherwise inevitable in any system of study. Examination is a fundamental necessity in practical education and not a scholastic superfluity as some persons suppose or pretend to suppose. In suitable cities bank employees are organized in chapters for educational work in accordance with the class method of instruction. Students outside of city chapters are associated in the Correspondence Chapter and provided with instruction by mail. Chapter organization and education are thus made uniform and universal.

AMERICAN INSTITUTE OF BANKING

Five Nassau Street

New York City

METHODS OF EDUCATION

CITY CHAPTER CLASSES

IN suitable cities students of banking are organized in chapters. Such organizations should be regarded as schools and not as social clubs. Practical experience has demonstrated the fact that chapter success depends upon adherence to the constitutional objects of (1) educating bankers in the theory and practice of banking and such principles of law and economics as apply to the banking business and (2) establishing and maintaining a recognized standard of banking education by means of official examinations and the issuance of certificates of graduation. The Institute course of study is the basis of all chapter work. Miscellaneous lectures and debates are valuable adjuncts, but when such features are made paramount the best educational results are not attained. General meetings consisting of addresses and discussions on banking and kindred subjects should be held monthly from September to May, inclusive, and class work in the Institute study course should be conducted weekly during the same period, except, perhaps, during weeks in which general meetings are held. Chapter class work is merely the adaptation of ordinary school methods to the particular subject of banking. Each class member is supplied with a set of

the serial text-books and instructors are expected to conduct examinations prescribed in connection with each lesson. Such examination questions may be elaborated to suit local circumstances, and thus form the basis of general discussion among class members under the guidance of the class instructor. It may be assumed that the collective knowledge of the class is sufficient to cover any knotty point that may arise, but should any question remain in doubt, it is suggested that the matter be assigned to one or two members of the class to be investigated and reported back to the class at the next meeting. Credit is given severally for final examinations successfully undergone, but Institute certificates are issued only to students who have passed final examinations in both "Banking and Finance" and "Commercial and Banking Law." Members of study classes in City Chapters are supplied with serial text-books and instructions as to their use at rates depending upon the method of conducting the final examination. Chapter classes that meet weekly from September to May, inclusive, should complete Part I of the Institute Study Course the first year and Part II of the Institute Study Course the second year.

CORRESPONDENCE CHAPTER

OUTSIDE of study classes in City Chapters, equally effective instruction is provided by the Correspondence Chapter. In correspondence instruction each student is supplied with the serial text-books and collateral exercises. The exercises in connection with each lesson are to be submitted to instructors whenever done. The work of students thus produced is corrected and returned with such criticisms and suggestions as may be helpful in each case. Average students get little benefit from books alone. What most of them need is a teacher to direct and encourage them. The usefulness of a teacher is not so much to impart specific information as to stimulate the ambition and interest of students and to systematize and verify their work. The correspondence method of study lacks the inspiration of social contact, but the personal relationship established between students and instructors stimulates ambition, and the fact that all lessons must be written insures thought and thoroughness. So far as actual acquirement of knowledge is concerned the advantages of the

correspondence method of instruction fully offset its disadvantages. To individual students the cost of correspondence instruction thus provided, including lesson pamphlets and all serial as well as final examinations, is \$15 for Part I pertaining to "Banking and Finance" and \$15 for Part II pertaining to "Commercial and Banking Law." Payments for each of the two parts may be made separately. One-third reduction from such rates is made to individual students who are employees of institutions that are members of the American Bankers Association. Correspondence Chapter students of average ability and industry should complete the course in "Banking and Finance" in about eight months and the course in "Commercial and Banking Law" in another eight months. Credit is given severally for final examinations successfully undergone, but Institute certificates are issued only to students who have passed final examinations in both "Banking and Finance" and "Commercial and Banking Law."

COMBINATION INSTRUCTION

A COMBINATION of class and correspondence methods of instruction is provided for students who are able and willing to work together in classes under the leadership of some one of the class members. Such plan provides that (1) each student shall be supplied with serial text-books; (2) each student shall write the collateral exercises in connection with the first lesson and submit them to the class leader; (3) the class leader shall forward ALL of the exercises thus submitted to the Correspondence Chapter; (4) the Correspondence Chapter shall correct ONE of the sets of exercises thus submitted and return the same to the class leader, together with all of the uncorrected sets of the same exercises; (5) on receipt of the exercises thus returned the class leader shall assemble the members of the class and distribute their respective sets of exercises

among them, whereupon each class member shall compare the set of exercises written by himself with the set of exercises corrected by the Correspondence Chapter. When the first lesson is finished in accordance with the foregoing plan, subsequent lessons in their regular order are to be studied and corrected in the same manner until the exercises in connection with the several text-books are all completed. Thereupon final examinations in review will be furnished to EACH CLASS MEMBER INDIVIDUALLY with regulations governing their conduct. Under the combination class and correspondence method of instruction thus described the tuition fee for each of the two parts of the Institute Study Course is \$15 for the first student and \$7.50 for each additional student less one-third to students employed by institutions that are members of the American Bankers Association.

AMERICAN INSTITUTE OF BANKING

Five Nassau Street

New York City

FORUM

AS announced in November, the JOURNAL-BULLETIN begins this month and year a new department, the "FORUM." Herewith are presented several questions and answers on matters of general interest to banking students. It will be noticed that most of them bear upon the question uppermost at the present time in banking circles, the operation of the Federal Reserve Act. They are questions that are being asked daily from one end of the country to the other. They indicate the process of change which the banking mind is undergoing as a natural result of doing business under a law that is based upon scientific principle and modern business demands as contrasted with a system that was both incomplete and unscientific.

There is no pretense that the answers given or comment made upon the subjects discussed are without flaw either in argument or principle. It is expected that members of chapters which are conducting post-graduate studies will write us freely if they have dissenting views. The Institute now numbers among its graduates many who have been trained to do their own thinking, and it is to such bankers the nation looks for enlightenment. Discussion is invited upon any banking problem. If it is beyond editorial capacity to throw light on a question, it will be passed along to the chapter "forums." Address correspondence to "Forum," American Institute of Banking, 5 Nassau Street, New York, N. Y.

BENEFITS OF THE RESERVE SYSTEM

Of what benefit is the rediscounting privilege to a member bank if it must pay as high or a higher rate of interest for, rediscounts than it receives from its customer?

This is a question met with very frequently and indicates a lack of comprehension of the purpose and functions of the reserve banks. Indeed, not a few "bankers" have been laboring under the naive impression that the purpose of the Federal Reserve Act is to provide a means whereby they might loan money to their customers at 6 per cent. and then turn the paper over to the reserve bank at 5 per cent. Rediscounting is an emergency process, whereby future maturities may be converted into immediate cash. Whenever cash must be had the cost of securing it is of secondary consideration. For example, during the 1907 stringency the cry of both the bank and the business man was not "how much must I pay for currency?" but "where can I get it?" The rate must be high to prevent inflation. That is a natural economic law which may not be violated with safety. Credit inflation is one of the evils that a sound banking system seeks to prevent by putting a constantly increasing tax upon extending credit. The framers of any bank act would indeed be shortsighted if prevention of an evil were not given at least as much consideration as the cure.

If this be true, one might ask (as indeed many are asking), how will the reserve banks loan out their funds; how will they make money? Theoret-

ically they are not in business to make money nor to take risks. They are organized to save money rather than to earn it. They will need to invest but a relatively small part of their resources—and that at a low average rate—to enable them to meet their expenses. In common with the great central banks of Europe, the reserve banks will probably never have more than half their resources producing direct income.

The direct benefit to the member bank in having the rediscount privilege is that it may hereafter secure cash or credit when it is needed. Suspension of specie payments no longer threatens.

BOND-SECURED BANK NOTES

Will National Banks continue to issue bond-secured bank notes?

Yes. The Federal Reserve Act does not deprive national banks of this privilege. It does, however, repeal the former provision under which national banks were compelled to purchase and deposit United States bonds. On the other hand, it extends the Aldrich-Vreeland Act providing for emergency issues until June 30, 1915. It is very unlikely that recourse will be had to this relief during the remaining six months before its expiration. Although national bank notes have been of little service in supplying the needed elasticity to our currency supply, they have been, in common with greenbacks, an indispensable part of the circulation always necessary. Their retirement in favor of Federal reserve notes ought to be accelerated by the fact that the 5 per cent. fund may no longer be used as a part of the reserve, nor can the notes themselves be deducted from gross deposits, under a recent ruling of the Comptroller. In a sense they will continue to circulate indefinitely, but in another form; that is, they will be issued by the Federal reserve banks after December 23, 1915, as fast as member banks dispose of their bonds to the reserve banks.

COMPUTATION OF RESERVE

How should a bank in a reserve city calculate reserve so that it may take full advantage of the deduction from deposits for excess reserve with reserve agents as allowed by the ruling of the Comptroller?

This appears to be a rather complicated process, but it has been made simple by a method of calculation explained by Charles W. Dupuis, of Cincinnati Chapter. We quote him in part: "The 'apparent' excess is not the real excess that is to be deducted, because if you were to deduct this amount from 'due to banks' and then calculate reserve on the net deposit, you would again have an excess with reserve agents in an amount equal to 6 per cent. of the amount deducted. In other words, the 'apparent' excess is 94 per cent. of the 'real' excess, that is, 94 per cent. of the amount that should be deducted.

"Two calculations are necessary. First, we must calculate as ordinarily to determine only the 'ap-

parent' excess with reserve agents. (In order to avoid unwieldy figures in this illustration, we will choose amounts that divide easily, and we will assume the bank has net demand deposits of \$720,000, net time deposits of \$20,000, and a balance due from reserve agents of \$53,000.) We arrive at these conclusions:

15% of net demand deposits, \$720,000 is \$108,000
5% of net time deposits, 20,000 is 1,000

Total reserve required \$109,000

We assume the bank will keep the full proportion with present reserve agents, or 6/15ths of \$109,000, which is \$43,600. The amount actually due from reserve agents is instead \$53,000, an excess of \$9,400.

"We now make the second calculation. We wish to find the sum that \$9,400 is 94 per cent. of, and therefore we divide \$9,400 by .94, which gives us \$10,000, the real excess which is to be deducted. That is, we use \$43,000 as reserve and \$10,000 as excess to be deducted from our 'due to banks,' or deposits. We now have:

15% of net demand deposits, \$710,000 is \$106,500
5% of net time deposits, 20,000 is 1,000

Total reserve required \$107,500

Six-fifteenths of \$107,500 is \$43,000, which is the exact net amount of reserve with reserve agents, the balance, \$10,000, being used as excess, thus reducing the amount of vault reserve required."

THE QUESTION OF SAVINGS BANKS

Are savings banks eligible to membership in the Federal Reserve System?

Yes, provided they are stock institutions and their State banking law permits.

COLLECTIONS BY RESERVE BANKS

What items will the reserve bank collect for member banks and how is the following apparent contradiction in Section 16 explained: "Every Federal reserve bank shall receive on deposit at par . . . checks and drafts . . . etc.," and in the same paragraph: "The Federal Reserve Board shall, by rule, fix the charge . . . which may be imposed for the service of clearing or collection rendered by the Federal reserve bank."

This is a question that does not admit of a brief answer nor can it be confined within a discussion limited to an interpretation of the mere words used in the Act. The question is a much deeper one than appears on the surface. We have, therefore, printed the answer elsewhere in this issue of the JOURNAL-BULLETIN as a matter of general interest.

SAVINGS AND OTHER DEPOSITS

What is the amount of deposits in mutual savings banks and how do such deposits compare with the deposits of other financial institutions in the United States?

The last report of the Comptroller of the Currency gives the amount of deposits in all classes of financial institutions, including deposits subject to

check, savings deposits and certificates of deposit, approximately as follows: National banks, \$5,810,000,000; mutual savings banks, \$4,260,000,000; loan and trust companies, \$3,539,000,000; State banks, \$3,034,000,000; stock savings banks, \$954,000,000; private banks, \$143,000,000.

PUBLIC AFFAIRS AND THE INSTITUTE

A Western Chapter President asks for some specific plan of procedure in connection with public education in banking and financial subjects.

Recently a circular was addressed to each chapter president by the Committee on Public Affairs, suggesting that no larger service could be rendered by the Institute to the financial institutions and general public than by continuing the work which was instituted last year, namely, the education of the public in the nature and functions of the various financial institutions and thrift. The circular also made certain suggestions as to subjects to be discussed, as well as methods, and it is hoped each chapter president will give this matter the serious consideration it deserves.

It is remarkable how this work has been taken up by the Institute at large. From the small spark which flashed, with others equally as brilliant, from the mind of ex-President Dreher, a flame has been kindled which bids fair to sweep the country. Almost every day brings news of new activity in public affairs upon the part of some chapter, and at this writing the latest to add a Committee on Public Affairs to its standing committees is Hartford Chapter. Under the direction of its energetic president, George F. Kane, this chapter will undoubtedly perform a distinct service to its community. Philadelphia Chapter is also especially active in this work at present and is endeavoring to secure the adoption of the School Savings System in addition to furnishing public speakers. The activities of San Francisco and other Western Chapters continue with the same enthusiasm which was in evidence last season.

In New York the Committee on Public Affairs, of which William H. Kniffin, Jr., is chairman, is especially active, and the following letter, recently addressed by Mr. Kniffin to a number of men qualified for such work, will be of interest and possibly offer suggestions to other similar committees:

"By courtesy of the Committee on Public Schools of the New York Chamber of Commerce, New York Chapter has been invited to give a series of at least fifty lectures on matters pertaining to banking and finance before the high schools of commerce in New York and Brooklyn. This work is to be in charge of the Committee on Public Affairs, and is part of the general scheme of public welfare work undertaken by the Institute at large.

"After consulting with the school authorities, it has been decided to submit a list of topics and speakers, first to the speakers for their approval, and then to the school authorities, who will select the dates, beginning about January 15th.

"The topics assigned to you are indicated on the enclosed schedule, which aims to select subjects according to the work most familiar to the speakers.

The talks are to be in the afternoon, generally at four o'clock, to extend not over twenty minutes, with a 'quizzer' afterwards.

"These talks must not cover generalities, such as advice as to what a boy must do in a bank, or the general qualifications, for this will be specifically covered. The subject should be treated from a practical standpoint and adapted to boys from fourteen to seventeen years of age.

"It is also proposed to offer men's clubs, church societies and other organizations, speakers for evening gatherings, and if you will take assignments of the same subjects at such gatherings, please so state in your reply. This promises to be the largest work of a public nature New York Chapter has undertaken. Let us do it well."

The following subjects were mentioned, together with the names of those selected to speak upon each one:

"The Bank and the Community." A review of what the bank does for the community by its function of gathering capital, making loans, operating checking accounts, etc.

"Clearing Houses, Their Methods and Their Benefits." The method of clearing checks. How it works and its aid in business matters.

"The Bank Check, What it Is and What it Does." How checks should be drawn; how endorsed; how collected. Vouchers. Reconciling accounts.

"Mortgage Loans and Realty Values."

"Savings Banks." Thrift.

"What the Business Man Should Know of Banking Law."

"How Exports and Imports are Financed." Foreign Exchange.

"What the Boy Who Would Go Into Banking Must Know and Do."

"Trust Companies."

"Investments."

"What the Bank Wants to Know When You Borrow."

"The Federal Reserve Banks; Their Relation to Business."

"Postal Savings Banks."

"Money and Credit." What is money; forms of money; how it is issued; safeguards; Federal Reserve notes; National Bank Notes. Forms of money in use and the meaning of each kind.

"A Bank Account for Everybody."

A great opportunity for service confronts the Institute. Let us not be found wanting, at least in inclination, remembering that "he best serves himself who best serves others."

Charles G. Dawes, President of the Central Trust Company, of Chicago, is not an enthusiast over the development of foreign trade. He quotes figures to show that the country's foreign trade is hardly one per cent. of the domestic, and is, therefore, practically a negligible quantity. If the foreign trade decreased one-third as the result of war abroad, it is only one-third of one per cent. of the nation's business.

Everyone in the South seems to have resolved to "quit a-raisin'" cotton except the men who raise it.

BOARD OF REGENTS

Distinguished Educators and Practical Bankers Enlisted in Institute Work—Prof. Sprague of Harvard, Prof. Kemmerer of Princeton, Harold J. Dreher of Milwaukee, and C. W. Allendoerfer of Kansas City will supervise the Educational Work.

The Dallas Convention adopted an amendment to the Constitution providing that the "educational work of the Institute shall be under the general supervision and subject to the approval of a Board of Regents consisting of (1) two professional educators, (2) two practical bankers, and (3) the Educational Director of the Institute. The members of the Board of Regents thus constituted shall be appointed by the Executive Council of the Institute and serve during the pleasure of said Council." In accordance with such provision the Executive Council of the Institute has appointed as Regents Prof. O. M. W. Sprague of Harvard University, Prof. E. W. Kemmerer of Princeton University, Harold J. Dreher of the Marshall & Ilsley Bank of Milwaukee, and C. W. Allendoerfer of the First National Bank of Kansas City.

GOLD ON THE PACIFIC COAST.

James K. Lynch in the *Financial and Commercial Chronicle*.

While fully realizing that war is destruction and ultimately benefits no one, we, on this shore of the Pacific, can congratulate ourselves on being as far removed as possible from the scene of the conflict, and on having abundant food supplies for which the war must create an active demand. One local result of the opening of hostilities is already apparent, and it has shown us that the common use of gold instead of paper money, on which we prided ourselves as a source of strength, is really a weakness in our financial system. Gold is the current money in San Francisco, and in a very large measure, throughout the Coast, and the use of reserve money for counter payment leaves us particularly exposed at a time when the whole world is scrambling for gold. Fortunately the use of currency has been gradually increasing and the additional circulation provided by the Aldrich-Vreeland bill is being used in counter payments as far as practicable. The Federal Reserve notes will in due time add to the circulating medium and we may look forward to a time when circulating notes and silver will be the pocket currency, and gold will remain in the bank vaults as a reserve against real emergencies. While recognizing that there are no certainties in financial affairs, we have confidence that a country which produces gold as well as silver, copper and many other metals; which has the world's finest merchantable standing timber within its borders, and which grows the grains and fruits most in demand, will be able to retain gold enough from international exchange to keep its finances on a sound basis.

There were 7,584 national banks in the United States by the November count.

ORIGINAL THOUGHT WANTED FROM MEMBERS IN THE 1915 COMPETITIVE ESSAY CONTEST

Post-Graduate Committee Announces the Topics for the Theses—Other Conditions of the Contest—There has never been so good an Opportunity for Institute Members to show their Qualities of Leadership.

After careful consideration the Post-Graduate Committee has decided on the following five subjects as topics for the thesis to be written by Post-Graduate members during the season of 1914-1915:

1. The Discount Function under the Federal Reserve System; its Development and Future.
2. The Development of a System of Commercial Acceptances by American Banks and its Effect Upon Trade and Finance.
3. The Possibility of Credit and Note Inflation Under the Federal Reserve System.
4. Modern Methods of Settling International Trade Balances.
5. Financial Possibilities and Problems in Connection with the Development of Central and South American Trade.

A pamphlet describing in considerable detail the plan of the Post-Graduate study has already been mailed to each Chapter, from the office of the Educational Director, and this pamphlet covers the whole subject so fully that there is little the Post-Graduate Committee can add at this time.

The Committee feels, however, that in the fourteen years of the American Institute of Banking's existence, there never has been a time when it has had as good an opportunity to prove its merits and demonstrate its accomplishments as the present year, which has brought so many important changes in our whole financial structure.

In these days of new and untried legislation and world-wide economic disturbances, even the veteran banker has no precedent in his own experience to guide him in his judgment, and we feel, therefore, that those members who have made a careful study of the banking history of the world and have learned to do their own thinking on the basis of such research work, should be as well qualified to help solve our present banking problems as any of the older men whose practical experience extends over a much longer period of years.

The subjects for theses for the coming year have been selected with this aim in view, and as each one of them covers a phase of banking which is either entirely new or has gained added importance on account of recent developments, we feel that members should be in a position to contribute much original thought on these topics, and thus prove anew that the educational work of the American Institute of Banking is producing men well capable of helping to solve the country's financial problems.

The fact that so many Institute men have already been appointed to the highest executive positions in the various Federal Reserve Banks, and that others have taken a prominent part in the settlement of the country's international affairs is, of course, the best

possible proof that the Institute has already developed a number of leaders in the profession. The committee feels that if the present year's work is taken up with the proper energy and enthusiasm, many new laurels will be added to the record of the organization.

The regulations governing the submission of essays are as follows:

1. Essays must be typewritten and four identical copies submitted to the Educational Director not later than June 1st, 1915. They should approximate five thousand words.

2. Essays must bear fictitious names that will conceal the identity of their authors. In a sealed envelope addressed to the Educational Director each author must give his real name in connection with the fictitious name signed to his essay.

Unsuccessful contestants may submit essays until they have either secured the Institute degree or have satisfied themselves that it is beyond attainment, but no contestant may submit more than one essay in any one year. Successful essays will not be published.

The Board of Regents appointed in pursuance to the action of the Dallas Convention will be the judges of these theses, and the Committee hopes that a large number of them will be in the hands of the Educational Director by June 1st, 1915.

R. S. HECHT, Chairman,
ROBERT H. BEAN,
J. A. BRODERICK,
JOSHUA EVANS, JR.,
JOSEPH J. SCHROEDER.

STATE BANKS AND THE RESERVE SYSTEM.

From the "Washington Post."

The reason why the new system is unattractive to State banks lies deeper, however. The State banks and trust companies generally do a large savings and trust business. They have a wide, legitimate field which is not open to the national banks at all. The narrow profits of strictly commercial banking are unattractive to them. They object to surrendering these advantages or having them curtailed. In addition to all this the new banking scheme was devised as a reformation of the business of commercial banking. What it contains in reference to savings or trust business was injected to stay opposition or meet political or local conditions. When the arguments have been finally threshed out it will undoubtedly be found that those State banks whose business is preponderantly commercial will find it impossible to withstand the competition of the member banks. They will come in. The others will stay out. But the banks in the system, like the national banks which preceded them, will form the backbone of the country's credit system.

The expenses of the twelve Federal Reserve banks are estimated at \$1,500,000 per annum, with the Federal Reserve Board in Washington costing about one-tenth of the total.

Philosophy of Credit, Its Definition and the Methods of Granting It

O. S. Larkby tells the Cincinnati Chapter Something about the Difficulties that Are Met By Credit Men and the Means That Should Be Used in Determining Questions of Credit in a Scientific Manner—There are no fixed Rules—The best Qualifications are Experience, Judgment and the Use of Common Sense.

THE need for and the use of credit is universal. Men of all professions, trades or kinds of business, at some time or other, require credit, and the use of credit is increasing daily, largely through the increase of business operations. More business is done at the present time in one day than was done in a year a century ago, and more than was done in ten years two centuries ago. This remarkable growth in commercial affairs has come about largely through improved methods of commercial interchange, the ability to do business without the necessity of the actual handling of currency, and through the use of modern methods of transportation, banking and the distribution of products. It is evident that in the earliest stages of the world's history, considerable thought was given to the placing of confidence where undeserved, for, we find that the writer of the Proverbs stated in one case "He that is surety for a stranger shall smart for it," and in another case, "The simple observeth every word, but the prudent man looketh well to his going."

Who is Worthy of Credit.

Credit briefly can be defined as "An estimate of the ability and disposition of the individual, firm or corporation to meet a business engagement." It is a belief in the truth of a statement or in the sincerity of a person. In other words, faith. It can be described as the reputation derived from the confidence of others, a title to trust or belief, character or repute. In determining who is, or who is not worthy of credit, naturally one must consider the character, habits, reputation, ability and experience of the person or persons involved. Also the character of the business they are engaged in, and obviously, in most cases, a certain working capital is indispensable. In most cases, commercial credit is simply commercial confidence based upon the apparent stability of a prospective debtor, sufficient to meet requirements. In this we are compelled to rely upon our own previous experience with a given person, or that of other creditors to whom we may apply for information. There must be some definite and substantial foundation for the trust imposed. Otherwise in the exercise of ordinary business, caution and prudence, one would not feel justified in extending credit, which is, in substance, the mere loaning of money for a definite period of time and under certain conditions, relative to the price of the goods, the profit involved and the time of payment.

While methods pursued in various establishments necessarily vary in detail, as a general proposition they must follow certain well established lines, and the best results can only be obtained by considering each and every transaction upon its merits and without the use of stereotyped methods. It is unfortunately true that credit today is too easy to obtain. To a large extent, this works a hardship upon both buyer and seller, and frequently the purchaser does not appreciate his responsibility because of the ease with which he can obtain credit elsewhere. It is unfortunately true in many of the retail establishments, both in this city and elsewhere, that it is possible for almost anyone to get credit with no real basis for it. It does not take much thought to reach the conclusion that this does an injury to people whose credit is really good, in that the man who buys goods upon open account and who either cannot or will not pay, naturally imposes a loss upon the seller, which loss must eventually be borne in part either by the man from whom the seller buys his material, or by the other customers of the seller through an increase in price.

Sources of Information.

Information regarding a prospect usually comes through one of four sources; in a number of cases, from two or more of them. For instance, the mercantile agencies, the banks, the attorneys, and other concerns who have sold the prospect. I have found that it is never a good plan to let the prospect believe that you think him dishonest, whatever may be your belief. For, if you impart to him such a belief, there is really no reason why he should attempt to be other than what you think he is. I have found that when it is necessary to inquire for information, the safest plan is always to let the prospect believe that your decision is based upon a lack of knowledge of his affairs, and to let him understand that in a personal way he is very well spoken of, and further, that it is not unreasonable to ask for satisfactory information or for security. It must be borne in mind that the experience of being turned down is very frequently not a new one to the person not entitled to credit. He has possibly been refused credit previously; hence compelled to buy upon a cash basis, and he naturally is likely to deal with the one who offends him least. I have found that in matters of this sort, frankness is appreciated, and usually will not be abused. I have found it a splendid plan to let a customer understand that you have a personal interest in him, that he is not measured wholly by orders or dollars and cents, and that it is a good plan to talk to him as one man would talk to another, with tact and brevity, keen business sense and a clear understanding of the needs. An apparent lack of sincerity does not necessarily argue dishonesty. It very frequently indicates a wrong point of view towards the firm from whom the purchase is made or the bank from whom the money is borrowed. One is quite likely to form the habit of viewing his customers in a mass rather than as indi-

viduals, and in some of the petty annoyances of daily details, to grow impatient and to disregard the fact that the customer may really be ignorant of what you expect of him and that it is up to you to show him clearly that you are not asking for anything unreasonable or unusual.

Psychology and Science.

It must be borne in mind that a great many men, especially those who are doing business in a small way, do not always have the proper knowledge or acquaintance with business customs and are therefore likely to say and do things that you as experienced men would not countenance in your own establishments. To bear this in mind will frequently help you to see the customer's point of view and arrive at a more satisfactory means of doing business.

I have found that one can never obtain too much information regarding the prospective debtor, and that the more one learns about credits, the more one appreciates how little he really knows, for it has been only within the last few years that credits have been determined in a really scientific manner. I have found it a good plan to confer with the men who handle credits in other lines of trade, for frequently one is likely to get into a rut, and the plans used by other concerns may prove helpful to you.

Schemes to Get Credit.

It cannot properly be said that there is anything mysterious or wonderful in the handling of credit matters. The necessary qualifications are essentially experience, judgment and the use of common sense. It does not matter which one you put first. It is unfortunately true that there are various tricks used by unscrupulous people who desire to obtain credit. One of the most common is the plan of establishing a line of credit in a small way with one concern, of continually maintaining this credit by the prompt payment of bills. Then using this one concern as a reference in order to obtain credit upon a larger scale elsewhere when the debtor is really unworthy of a large line of credit. Another plan is to send a check in advance and to insist that the order must be rushed out at once, hoping that the concern who gets the check will ship the goods before the check can be returned unpaid. Another plan is to forward a check in advance and fail to sign it in the expectation that the goods will be shipped before the error is discovered. Still another plan is to order goods and state that as reference one may inquire of any person in such a town or such a county. We have found that a general reference of this sort is, as a rule, absolutely worthless. Unless the man has some definite persons to whom he can refer, it is a mere waste of time to inquire promiscuously among his neighbors or fellow citizens as to his responsibility. If you have ever tried it, I believe you have found that when the man to whom such an inquiry is made realizes that there is no obligation resting upon him should his favorable reply influence the shipment of goods, that he will in the majority of cases say that the prospect is thoroughly all right, whether the prospect is really all right or not. I have found, as most of you have doubtless also, that references to people who are not in business, and who have only a personal acquaintance with the person, as a general proposition is of little or questionable value. Unless a man

has had some actual business experience with the prospect, it is a pretty safe plan to assume that his reference is worth mighty little to you, for there is a marked difference between one's view of certain men as good fellows in a social way and as good business men.

Peculiarities of References.

It is unfortunately true, as so many people find to their sorrow, that references which are given, are frequently prejudiced. In a great many cases, because it is to the interest of the person inquired of to give a good recommendation, his point of view may be influenced by any one of numerous reasons, depending upon the circumstances. I have recently had from one attorney a report on a person as follows: "Referring to the above, I have to report that the debtor has no property either real or personal, no credit, either actual or potential, no prospects, present or future, and no hope either here or hereafter."

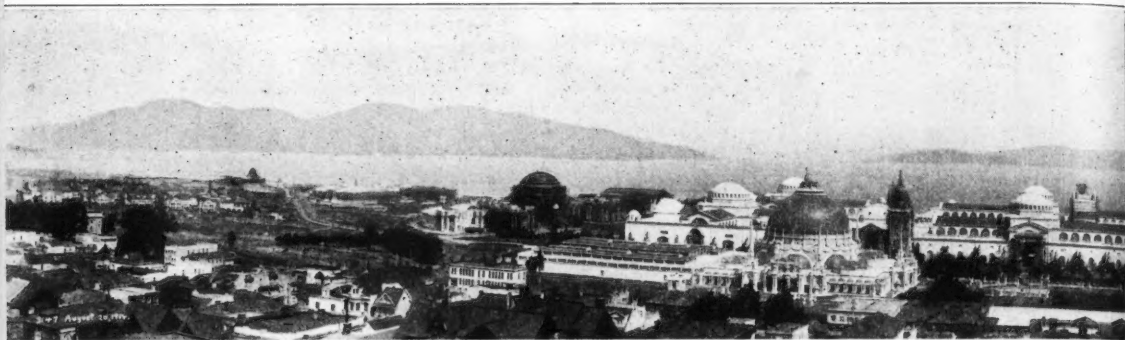
You may have heard of the grocer who sent an order to a wholesale house and was notified that his order could not be shipped until his past due account had been paid, whereupon the grocer wired back to the wholesale house to cancel the order that he could not wait that long. This is in no way an exaggeration, for just today a resident of Riverside desired to open a line of credit with the concern with which I am connected, and gave us as reference two lawyers and a pawnbroker. The pawnbroker was the only one who knew anything about the man, I found upon investigation, and his experience had been limited to small loans on articles of jewelry put up as security. This sort of thing, however, is all in a day's work.

Credit and Collection.

The essential thing that one must bear in mind in extending credit, is that one's duty has not been performed when a credit has been approved or rejected. The transaction has not been satisfactorily ended until the money has been paid over at the end of the term agreed upon. The matter of collections is so intermingled with that of credit, that it is difficult to divide the two.

Philosophy in Rhyme.

The attitude of a great many small customers is no doubt very properly described by our friend, Walt Mason, in the following lines: "There are many things which vex human souls, year after year: thus, the letters with the checks never do on time appear. There are always railway wrecks, or collision with a freight, and the letters with the checks are a month or six weeks late. Vainly do we strain our necks harking for the postman's call: late the letters with the checks, or they never come at all. But as promptly as the sun rises to dispel the shade, comes the letter with the dun—it is never lost or strayed. Railway trains may jump the tracks, bridges break and rivers rise, trestles over chasms crack, mails be knocked contrariwise; but the letter with the dun from the grocer comes to hand: 'Call upon me with the mon,' is the merchant's stern demand. 'Call and pay us and repeat,' writes the gas works man, alas! 'You have burned ten million feet of our double action gas!' All such letters, giving pain, promptly come, by quarts and pecks, but we wait and wait in vain for the letters with the checks."



THE PANAMA-

The site, in its combination of scenic beauty and practical advantages, is probably unequaled flanked by the wooded heights and fortifications of the presidio, fronting on the wonderful, blue, Exposition City which covers these 635 acres is the realized dream of the best architectural genius lighting effects and all that skilled gardeners and the California climate can do in flowers and trees.

THE SAN FRANCISCO CONVENTION

"I regard this Convention as the opportunity of a lifetime for bank men to make a vacation trip that will never be forgotten."

By George A. Jackson, Chairman of the Transportation Committee.

The Thirteenth Annual Convention of the American Institute of Banking will be held at San Francisco, Cal., August 18, 19 and 20, 1915, on the site of the Panama-Pacific International Exposition, at a time when the great Fair is running full blast. It is the work of the transportation committee to confer with the different railroad lines regarding special rates for the Institute delegates, and to arrange with them for special trains, etc. This work is already well under way, and members may look for definite announcements soon as to routes recommended by the transportation committee and the rates that will apply from various points. In writing this article concerning the convention I have two important objects in view:

First.—I want to urge every chapter member who expects to attend the convention as a delegate to place his name on a slip of paper and hand it to the chairman of the local transportation committee at once. Because of the exposition, the western railroads are going to have an enormous amount of traffic to handle this year, and it follows that, in order to obtain the best equipment for our delegates, it will be necessary to give them, at the earliest possible date, some idea as to the total number of delegates who will visit San Francisco. By turning in their names to the chairman at this time, those who expect to represent their chapters at San Francisco can greatly assist the national transportation committee in its negotiations with the railroads.

Second.—I want to encourage every bank man who thinks he has the slightest chance of attending the convention, either as a delegate or in company with the delegates, to make the most of his oppor-

tunity. The trip to San Francisco offers opportunities for travel, for sight-seeing, and for entertainment such as no other Institute convention has ever offered and as probably no future convention ever will be able to offer. I regard this year's convention as the opportunity of a lifetime for bank men to make a vacation trip that will never be forgotten.

Here are some of the things a trip to San Francisco Convention will mean to those who are lucky enough to take it: Thousands of miles of delightful travel across the most scenic sections of the United States, a succession of wonderful visits to the show spots of the great West, tours over the beautiful State of California, the Panama-Pacific International Exposition at San Francisco, the Panama-California Exposition at San Diego. Seldom does any convention offer such an array of big attractions.

Many readers are unaware that two great expositions are to be held in California this year. The Panama-Pacific International Exposition will open at San Francisco on February 20, 1915, and will run until December 4th, lasting 288 days. It will be the third exposition of its class held in the United States, the other two being the World's Fair held in Chicago and the Buffalo Exposition, and the twelfth of its class held anywhere in the world. It is the official, national and international celebration of one of the greatest events of our day—the opening of the Panama Canal. The exposition was authorized by an Act of Congress of the United States. On the day it opens it will represent an expenditure of about \$50,000,000.

The other exposition is the Panama-California Exposition to be held at San Diego. It is also a national exposition, its managers point out, but, being unofficial, it is not compelled to shape itself to the same formula which governs international expositions. The San Diego Exposition draws chiefly upon the far western States, Mexico and the Latin-American republics of Central and South America. While San Francisco celebrates the opening of the Panama



PACIFIC EXPOSITION

in the world. It is a natural amphitheatre covering 635 acres, backed by residence-covered hills, island studded Bay of San Francisco, just inside the portals of the famous "Golden Gate." The of America, supplemented by all that famous artists can do in color, all that modern science can do in Its beauty will live in the memory of beholders as long as memory itself endures.

Canal with an eye to the importance of the event to the United States, San Diego is not only celebrating the opening of the great waterway, but has also in mind what the Panama Canal is going to mean to San Diego.

Our delegates will no doubt be permitted to visit both of these big expositions, and such a privilege is, of course, a wonderful one of itself. However, it constitutes but a part of the pleasure we shall have. From the time our delegates leave their home city until they arrive at San Francisco, and from the time they leave San Francisco until they are back home, their journey will be a continuous round of pleasant experiences. Already letters are beginning to come in to the transportation committee from chapters located in western cities, asking for the privilege of entertaining the delegates. And no matter which line of travel delegates may choose, they are sure to be accorded a long list of remarkable sights.

I cannot take space here to indicate the different railroads and their attractions. As you know, the West has some of the most marvelous mountain scenery to be found anywhere in the world. While it cannot be stated, at this writing, which of the following "points of great interest" our delegates will visit, it is certain that the itinerary, when completed by the transportation committee, will be made to include several of them: the Grand Canyon, Pike's Peak, Great Salt Lake, Yellowstone Park, Glacier National Park, Royal Gorge, Feather River Canyon.

Heretofore it has been customary for the railroads to give delegates the privilege of a diverse routing, either going to the convention or returning, and the same arrangement will be in effect this year. It is quite likely, though, that delegates will travel together going to the convention and will only split up their routes on the return trip.

The railroad fares, considering the long distance

most of the delegates will have to travel, will be very reasonable. The roads have announced an exposition rate of \$62.50 from Chicago to San Francisco and return. Presumably, this rate is the lowest they will be able to quote, even to organizations. However, application has been made by the transportation committee to all of the western lines for special rates for Institute delegates. The round-trip rate from Chicago, traveling one way to Portland, is \$80. The trip from San Francisco to Portland can be made either by train or boat, in the same length of time, for the same cost. On the boat the fare includes meals and berth. The sleeping-car rate from Chicago to San Francisco is \$13 for a lower berth and \$10.40 for an upper. The regular fare will, of course, be increased somewhat by the expense of side trips. The rates for side trips during the exposition will be the same as those which apply at any other time. A visit to Pike's Peak, via the famous Cogwheel Road, costs \$5; to the Cripple Creek gold mining district, \$3; to the Grand Canyon, \$7.50.

In a later issue of the JOURNAL-BULLETIN, tables will be published showing the railroad rates that will apply from various points east of the Mississippi River, the expense of side trips, and all such other items as one will need to know in order to estimate how much the trip to San Francisco will cost.

The trains conducting delegates to the convention will be equipped with every comfort. They will be special trains, scheduled to allow for stopovers at all important points.

Let me emphasize again the urgency of notifying your local chairman of the transportation committee at once in case you are planning to attend the San Francisco convention. The sooner we who are in charge of transportation are able to give the railroad companies some idea of the number of passengers we will have, the better equipment will be reserved for us.

The Merchant Must Take the Initiative in Developing Foreign Trade

Opportunities in South America are Explained by John Clausen, Manager of the Foreign Department of the Crocker National Bank, San Francisco—Trade is the Forerunner of Finance—Some Rules that Merchants Seeking to Do Business Abroad Should Follow—Lucid Explanation of the Financial Processes Involved in a Sale of Goods in South America.

WHEREVER we go we find among the commercial community a full recognition of the very great opportunity that is being offered at present for promoting and expanding trade in every possible direction.

The casual observer of foreign trade conditions, therefore, cannot fail to be impressed by the inevitable progress of economic developments in our relations with foreign countries and in view of the greatness and steady growth of our foreign trade, it is desirable to determine the countries which buy our goods freely, not alone for the purpose of finding out where our goods are sold, but also to discover the countries enjoying the largest measure of prosperity and peace.

The really wonderful expansion in our exports, both to foreign countries and to our own possessions, impresses upon us the necessity of becoming more familiar with the proper handling and financing of our shipments abroad. The universal clamor of our merchants for banking facilities in foreign countries—more particularly in Central and South America—is well founded, and banks throughout the country should take early heed to establish suitable relations in order to adequately care for the requirements of their clients.

Trade, however, is ever the forerunner of finance, and it is essential that the American merchant should take the initiative by preparing a systematic and vigorous campaign for the sale of his goods in foreign countries; and if the proper spirit of co-operation is exercised, he need have no fear of any handicap, as capital will spontaneously follow with ample facilities for transportation and banking. These facilities will go hand in hand with trade, and they will grow together.

Development of Foreign Trade.

What we must therefore first consider is the development of our foreign trade, and to properly do that we must acquaint ourselves with the customs and languages of foreign countries, and also modify the present home business-winning methods to suit the sentiments and prejudices of our foreign friends.

Large sums are annually expended by American manufacturers and exporters in advertising their articles in foreign countries by the direct solicitation of agents and through the mails, but no matter how carefully their articles have been prepared, how effi-

cient their agents, or how beautifully illustrated their catalogues may be, if demonstrations be not made in the language prevailing in the country of the prospective client—with prices and measures given in familiar terms—such solicitations will have no trade-getting value.

It cannot be too strongly emphasized to commercial houses seeking foreign markets for the first time, that unless they approach intended customers in terms with which they are familiar, time and energy will be wasted and result only in misdirected and fruitless efforts.

Knowledge of Foreign Customs.

Knowledge of foreign currencies, weights, measures, shipping facilities, and also the apparently insignificant detail of postage, are matters with which it is necessary for our exporting firms—as also banks interested in the financing of foreign trade—to familiarize themselves, as lack of information on these points, or carelessness in their adherence, will result in annoyances to foreign importers and establish in their minds a prejudice against American business methods.

The question of freight and tariff should be carefully studied, as it may at times be required to add these items to the selling price in preparing quotations. It is further a matter of great importance that special attention be paid to the packing of goods, if for no other reason than the favorable impression created abroad, as the lack of attention to the safe and proper delivery of shipments as ordered and expected, has oftentimes resulted disastrously in the establishment of possible business connections or in the loss of a good account and client.

It is also essential that the requirements of custom house authorities be minutely observed, in that the consular certificates and invoices give all details regarding materials, weights, etc., and if the shipper here, therefore, has not complete knowledge of regulations ruling in various countries, he is liable to mistakes which may mean heavy fines as also delays and serious inconveniences to the importing firms abroad.

We must know what we can sell, and under what conditions we can negotiate our goods, as it becomes necessary to meet the competition of all other countries; and to do that successfully, we must study and meet the requirements of our buyers, or retire from the field of the world's commercial struggle.

When inquiring as to the prosperity of a country, people never fail to glance at its trade returns, and to note any increase or decrease in its imports and exports. If a country has discovered new natural resources in its soil, or has found means of making better use of the productive powers already known to it—then it exports; and, accordingly, the whole of its foreign trade increases, which, undoubtedly, is a sign of prosperity.

Financing Our Foreign Trade.

The new banking law, in permitting national banking associations to establish branches in foreign countries and dependencies of the United States, for the furtherance of the foreign commerce of our country—is quite a step towards putting us in a position to compete on a more equal basis with other nations in carrying on our foreign trade, and with these new facilities at our command, it presents to bankers and merchants the urgent necessity of thoroughly familiarizing themselves with the nature and use of money—the mechanism of exchange—and ways and means for developing our foreign trade.

A New Trade Route.

While the Panama Canal has opened a great new trade route, which we are prone to believe places our country in a position to command the greatest share of the Pacific trade, we must not be illusionized, as unless we are in a position to adequately finance the Panama Canal trade, a good part of the capital invested for the construction of the great waterway will be wasted, and our competing neighbors will derive the benefit of our undertaking. We must, therefore, endeavor to get the commerce and finances of our country intimately interwoven and related, and when this is successfully accomplished, we have the most powerful combination in the world; namely, the control of trade and credit.

Under the new banking law our banks are permitted to accept trade or finance bills, a measure vitally essential to the development of our trade—and it is hoped in the near future that we may finance our foreign commerce through a center in our own country—say New York or San Francisco—precisely as at present we are doing through London and other European points.

Dependence on London Banks.

Foreign banks, more particularly those in London, practically now finance our foreign trade, and for that service the banks in this country are paying them a fancy remuneration. It may be of interest here to show how the London bankers extend such facilities, and we will take as an example a shipment of merchandise from South America to a commercial center in the United States.

The shipper in South America is not in a position—we will say—to await the arrival of the merchandise in the United States and the return of a remittance, before receiving in cash the amount of the invoice. On the other hand, the purchaser here is unable—for various reasons—to effect payment before the goods arrive, and until they have been paid for by his customer.

A "Commercial Letter of Credit" is therefore suggested and supplied by his local banker, which authorizes the shipper in South America to draw against the bank's London correspondent—say at sixty or ninety days' sight—with shipping documents attached, covering the value of merchandise to be shipped. The issuance of this credit is duly advised to the London bank, and the letter of credit is delivered against the usual guaranty of the merchant here, who, in turn, forwards same to the shipper with the necessary instructions to effect shipment within a specific time (which is also noted on the credit), as

well as the manner in which the insurance is to be affected. Immediately upon receipt of this instrument the shipper arranges to make the shipment, obtains the required set of bills of lading, invoice and insurance certificates, and takes them with the letter of credit to his local banker, who prepares a draft on London drawn under the terms of the credit. The draft is then discounted, and the shipper receives his money.

The South American banker then forwards the draft and documents—excepting such documents as the bank that extended the credit may instruct to be forwarded direct to them—to his London agent. When this draft and documents reach London, an "acceptance" is secured and the bill is then held for maturity, or discounted, as may best suit the interests of the negotiating bank in South America. Upon acceptance of the bill, the London bank that gave this requisite retains the documents, which are later forwarded to the bank in the United States that opened the credit, with an advice of the amount for which the draft has been accepted, as also the date of maturity.

The documents are then delivered to the customers, under what is termed a "trust receipt," and they, after defraying the amount of duty, obtain possession of the goods. Some ten or fifteen days before the draft or acceptance becomes due in London the amount is converted into United States currency at the prevailing rate of exchange, and collected from the client, who in turn is called upon to pay the usual charges for commission. The amount collected is then credited by the local bank in the account which is carried with its London correspondent—the accepting bank—and thereby provides for the draft at maturity.

On all such transactions the London bank—while in no way advancing any money—receives a substantial commission, and when we consider the total exports of merchandise from the United States to foreign countries, with our imports, it can readily be seen that large profits resulting from acceptance and commission fees are yearly poured into the coffers of our banking friends abroad.

Discount Market.

In Europe authoritative institutions lay down the discount and loan rates, which automatically guide the entire banking system, in its dealings with individual clients, and the existence of an open discount market which permits financial institutions to employ funds in the purchase of bankers and prime merchant acceptances, and to rediscount the same when cash funds are needed—these are the principal aids to a more liberal system of financing our trade at home and abroad.

Of course, the value of money, apart from the question of whether the open market rate of discount is slightly under or slightly over the bank rate, would be governed by the strength of a selected central institution, and the prospect of a demand upon its stock of gold reserve, as is the case of our British friends and their relations with the Bank of England.

When trade is active the supply of discountable bills becomes large and rapidly absorbs the loanable funds of banks. As the demand for funds in this direction becomes active, the banks in turn are unwilling to discount except at advance rates. If trade

is inactive, less accommodations from bankers are required, and results in a keener competition for the discountable bills offered in the open market, with a consequent decline in the rate of discount.

While these conditions are symptoms in governing the discount rates in Europe, our "call-loan rate" as quoted in the New York market, only has an indirect relation to trade conditions, and it is therefore only by co-operation and the consequent fixing of a uniform rate of discount that we can control the flow of gold and thereby prevent our periodical financial disturbances. The ready elasticity of credit which such a discount market would give at home, as a matter of fact would also have its direct effect upon our foreign trade.

Value of Foreign Trade.

Nations which on account of their extensive export trade have opened up new fields for their prod-

ucts are in a position to furnish employment to overcrowded populations and stimulate the building up of territories which otherwise would be barren fields, and while the transportation system of the United States has furnished avenues to the wealth of the soil, and given work to the vast army of laborers, if we hope to keep these men employed the year round we must take advantage of opportunities abroad and thereby avoid disastrous economic conditions in our own country. The fact that of our yearly output of manufactured goods only approximately six per cent. enters into the export trade, shows the comparatively insignificant position occupied by this country in the world's export trade, notwithstanding the proximity of the enormous virgin fields offered by the west coast of South America, which are nearly two thousand miles closer to the manufacturing districts of our country than to the manufacturing districts of Europe, and the added advantage of our transportation facilities.



LIFE STRAIN ON MEMBERS OF THE BANKING PROFESSION AS SHOWN BY RECENT PHYSICAL TESTS

RECENT physical examinations by the Life Extension Institute of a large number of people engaged in the banking business have developed some very interesting facts.

It is a matter of common knowledge that among bank officials the life-strain is notably severe, especially in cities.

By turning to the records we find that the principal causes of death, among bank officials, are the diseases of the heart, arteries, kidneys and nervous system.

The census report, in referring to the death rate of bankers and brokers, which constitutes one group of the general class termed "Clerical and Official Occupations," says:

The highest death rate of bankers, brokers, etc., occurred from diseases of the nervous system, and this was considerably higher than the average rate from these diseases in the entire clerical and official class. The rates from heart disease and other diseases of the circulatory system, and diseases of the urinary organs were also higher than the average rates in this class.

It is not surprising that these causes of death predominate when we consider the exacting and confining character of the work of those who are responsible for the management of our banking institutions, and especially when we consider the further important fact that the death rate from these same causes has for many years steadily increased in the general population and at all ages.

Increase in Chronic Diseases.

The mortality of these diseases of the hardest worked organs of the body has increased nearly 100 per cent. during the last decade in Massachusetts and New Jersey, and in 16 American cities, where the data have been worked out.

During the last census period it increased 19 per cent. in ten States, with a well-balanced urban and rural population. And the significant fact is that these chronic diseases of old age are reaching down

and increasing in the younger age periods, which means that as a people we are getting old too soon.

Surely these facts justify a most careful search for a means of checking this steadily increasing life-waste.

Inasmuch as bank officials represent such an important and influential element in our national life—high in intelligence, character and public spirit—it would be entirely natural and consistent for the bankers of the United States to take up this question in a serious way; for this common enemy of mankind is especially active in the ranks of their fraternity.

Bookkeepers and Clerks.

While mortality statistics of bank employes, separately, are not at hand, the census shows that the death rate among bookkeepers and clerks is higher than that of a number of occupations commonly regarded as more hazardous than clerical work.

The general death rate for bookkeepers and clerks (males) is given as 13.6, while that of mill and factory operatives (textile) is, for instance, 8.8, and of miners and quarrymen, 9.6.

The general death rate of bookkeepers and clerks, between age 25 and 44, is given as 13.3, while that of iron and steel workers, but 7.8; machinists, 6.6; steam railroad employes, 8.9; manufacturing and mechanical industries, 8.4; mercantile and trade class, 6.7; policemen, watchmen and detectives, 7.2; physicians and surgeons, 8.7; marble and stonecutters, 9.3. In fact, almost every occupation where physical exertion and outdoor life are had, shows a lower mortality rate in these years than among bookkeepers and clerks, who are of course more closely confined.

What the Institute Found.

The examinations of bank officials and clerks by the Life Extension Institute seem to indicate that a marked tendency to develop diseases of the heart, arteries, kidneys, etc., actually exists among banking people.

In a large number of health examinations in both small and large banks combined, it was found that about 60 per cent. had physical defects or impairments, or indications of the possible approach of same, that required medical attention or supervision. Over 90 per cent. of them were unaware of their condition.

Fully 50 per cent. of the entire group examined were found either with symptoms of diseases of the heart, arteries or kidneys, or with well-defined signs of the possible approach of one or more of these chronic affections.

The number of comparatively young men who were found with developed cases of these diseases, indicating the wearing out of the important organs of the body, were really astonishing.

Raising Health Standard in Banks.

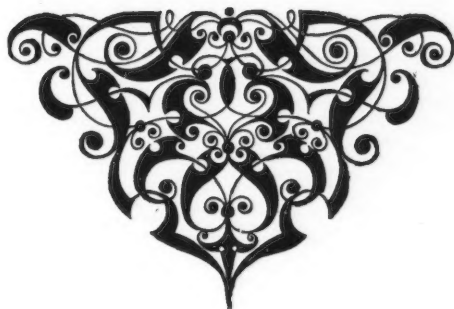
Opinions may differ as to the cause of the early appearance of these chronic diseases of degeneration in the banking occupation, but the fact is that the most of these diseases can be prevented or serious

results deferred, perhaps for years, if the signs of their approach are detected in time.

Whether or not these indications of weakening vitality are due to the mental and nervous strain of the business, coupled with the lack of exercise, and perhaps intemperate eating and living habits—in short, an improperly balanced life from the standpoint of personal hygiene—one important fact has been clearly demonstrated, namely:

That by periodic physical examinations and laboratory tests the presence of these diseases and the signs of their coming can be detected in most cases long before the individual is made aware of his danger by physical pain or distress. And this is also true of many other afflictions.

As a rule, these signs of chronic diseases, common to sedentary occupations, are due to unhygienic living habits, and fortunately in many instances require no medicine to head them off or to check their progress, but, rather, medical guidance and supervision to see that the injurious practices are corrected. An unhygienic living habit is often more dangerous than a disease.



INSTITUTE CHAPTERGRAMS

Chaptergrams must be received by the Educational Director of the Institute not later than the 28th of the month preceding publication.

CORRESPONDENCE.

By George E. Allen.

The annual meeting of members of the Correspondence Chapter, which, according to the articles of incorporation, is to be held on the fourth Monday in November, was adjourned for lack of a quorum until Wednesday, December 2d. Pursuant to adjournment the members of the Correspondence Chapter met in adjourned session, Wednesday, December 2d, at three o'clock p. m. More than one-tenth of the members were present in person or proxy, thus constituting a quorum. The following named gentlemen were duly elected Directors for the terms specified: Fred. W. Hyde for one year, C. W. Beerbower for two years, and C. L. Ellers for three years. There being no further business, the meeting adjourned. Directors ex-officio are James K. Lynch, Vice-President of the American Bankers Association, and William S. Evans, President of the American Institute of Banking.

The meeting of Directors provided for in Section 3 of the By-Laws was not held after the annual meeting of members of the chapter for lack of a quorum. Under the circumstances, in accordance with the By-Laws, the officers will continue to serve during the coming year unless the Directors take action to the contrary.

BALTIMORE.

By C. Leland Getz.

The educational classes of Baltimore chapter are becoming more popular as the season advances, and instead of the attendance falling off it has actually increased as a result of a number of late enrollments. The visit in December of the Educational Director of the Institute still further stimulated our educational work, and we can now confidently look forward to a "banner year" in all departments of this branch of Institute activity.

At our December open meeting the seating capacity of our auditorium was again taxed to the limit, in spite of the fact that fifty additional chairs have been obtained since our large November meeting. Dr. Frank J. Goodnow, president of Johns Hopkins University, made a most interesting address on "Conditions in China." Dr. Goodnow, by reason of his residence in that country for several years in the capacity of adviser to the Chinese republic, is probably better fitted to talk on this subject than anyone else in this country. He dwelt particularly upon the Chinese methods of banking and the peculiar and intricate monetary system of that country. Dr. Goodnow brought with him to the meeting some very interesting pieces of Chinese paper money dating back to about the thirteenth century A.D. Edward

James Cattell, Philadelphia's "grand old man," favored us at this meeting with one of the talks for which he is famous. President William Woodward Cloud, of the State Bank of Maryland, presided over the meeting, and in his opening remarks paid a very high tribute to Baltimore chapter and to the work that is being carried on by the National Institute.

During the past month special addresses were delivered before our class in general banking by Freas B. Snyder, Assistant Cashier of the First National Bank of Philadelphia; Charles R. Dittman, one of Baltimore's leading certified public accountants; and J. H. Anthony, of the credit department of the Baltimore Bargain House.

R. E. Bolling, Assistant Cashier of the First National Bank of this city, has been chosen by the Commercial National Bank of Washington to organize and to be at the head of the two branches that this institution will open in Panama. Maurice H. Grape, formerly vice-president of the Continental Trust Company, has become vice-president of the Union Trust Company of this city.

Baltimore chapter feels very fortunate in having secured Dr. Wilbur F. Smith, principal of the Baltimore City College, to conduct a course of six lectures on English Grammar. The textbook of George E. Allen on this subject will be used in connection with the course. Thomas D. Hayleck, one of our prize winners last year, has been of great service to the chapter by conducting some special quizzes on subjects that have been taken up by the class in general banking.

President Albert N. Smith, of Baltimore chapter, announces the following committee to arrange the annual banquet to be held in the month of February: Carl E. Wagner, Chairman; Gwynn Crowther, Vice-Chairman; Theodore C. Thomas, Secretary; Benjamin H. Heath, Treasurer; A. J. Grape, R. B. Winder, Fred H. Faust, George E. McDonald, Godfrey A. Herder, William J. Morris, Henry W. Neepler, William H. Gideon, Frank P. Stewart, C. Leland Getz, Milton S. Billmire, John Broening, Jr., James H. Dorsey, Kirk C. Frey, John A. Graham, Clifton K. Wells, Oliver C. White, Edgar L. Heaver, W. H. B. Evans, Charles O. Kieffner, Donald Reitz, Hilary W. Lucke, J. Park Upp, H. Clarke Jones, J. Louis Schwab, Z. Bond Evans, Albert N. Smith and J. Leonard Hoffman, Jr., are members ex-officio.

BIRMINGHAM.

By W. C. O'Ferrall.

The monthly meeting of the Birmingham Chapter was held December 17th, with J. L. Cross presiding as chairman of the evening's program. Mr. Cross first introduced Leo Kayser of Otto Marx & Company, who gave us a very interesting and instructive

talk on "Municipal Bonds." At the conclusion of Mr. Kayser's address we were given a rare and unexpected treat—a reading by Mrs. J. L. Cross entitled "A Christmas Substitute." Mrs. Cross has exceptional talent, and together with her sweetness of manner and rare charm is one sought to lend her aid to the many movements in this a period of progressiveness. Her selection was thoroughly enjoyed, and we look forward with much pleasure in having her with us again. Mr. Cross, who can always be depended upon to give a pleasing program, is to be congratulated for his efforts.

Under the able instruction of F. M. Dominick we report good progress in our educational work.

BOSTON.

By Harold A. Yeames.

Notwithstanding the busy holiday season and its accompanying demands upon the time and efforts of our members, our educational work progressed steadily through the month of December. Interest continues unabated in both the English and Law courses, and the latter now has a registered attendance of two hundred and fifty men who are pursuing their studies under the guidance of Dr. Newton. Conditions are very promising for a material addition to our list of "one credit" men, and a substantial increase in our post-graduate group.

The post-graduate section of Boston chapter is by no means a group of "back numbers," but an active and much interested portion of our membership. Under the leadership of Herbert E. Stone a series of round table talks are being held in the rooms of the Second National Bank, and visits to various high class industrial plants have been arranged. These personal inspections of different business enterprises are not only interesting and entertaining, but of much greater value. They broaden one's view of the industrial world, and give an insight into the various conditions to be reckoned with in special lines of business, which knowledge, the banker as a creditor, can use to advantage. We heartily recommend other chapters to adopt industrial trips as part of their educational program.

One of the most successful excursions of this nature was held on Saturday, December 12th, when through the courtesy of Henry J. Nichols, a visit was made to the John P. Squire & Company's packing plant at East Cambridge. A party of fifty-seven, including a number of bank officials, left Boston at two o'clock on a special car. Upon arrival at the headquarters of the company each man was supplied with a fresh, clean, marketman's frock, which greatly altered the appearance of our group of bankmen. The party was then divided into squads, and with the aid of guides, made a thorough inspection of the extensive plant, which covers several acres.

The various steps of progression, from the live hog to the numerous marketable products, of cured hams, bacon, sausage, and lard, were followed with much wonder and interest. The ingenious labor-saving appliances, and the economic utilizing of almost every part of the animal, greatly impressed the visitors. Efficiency has been highly developed in the

packing industry, and there seems to be a good deal of truth in the saying, "that no part of the hog is wasted except the squeal."

After the party had completed their tour of the plant they were entertained by their hosts with a substantial collation, which included some of the choice productions of the plant. Then followed interesting talks by E. D. Whitford, Treasurer of the Company, and Mr. Nichols, they taking for their subjects, "Rural Credits," and "The Opportunity for Hog Raising in New England."

Two new departures are being started in our chapter. Randall A. Whittier is endeavoring to organize a debating team, and a new class is being formed for the study of the legal side of Transfer Work. A committee is at work considering the best methods to use in the conducting of such a class, and they hope to make definite announcements shortly as to the plan adopted.

Our publicity committee, who have charge of the publishing of the Chapter Calendar, issued the first number for the new year in a slightly different and enlarged form. They are trying to make the Calendar a more interesting and readable sheet, and hope to include an Exchange department, that will be of benefit to the members. By establishing exchange arrangements with other chapters, it will be possible to reprint in our own publication articles of interest and value that appear in the various publications issued by chapters throughout the country.

Boston chapter news is now being reported monthly in several of the financial magazines, and the Boston Sunday "Globe" is printing under the name of Boston Chapter some of the "Thrift Talks" written up by the Savings Bank Section of the American Bankers Association.

BUFFALO.

By Godfrey F. Berger, Jr.

On Tuesday evening, December 8th, one hundred bankmen met at the Y. M. C. A., where O. Howard Wolfe addressed Buffalo chapter on "Some Changes Under the Federal Reserve Act."

"One of the changes which it is hoped the new Federal Reserve Act will effect," said Mr. Wolfe, "is a system of better banking. At present our ordinary banker is nothing more than a high class pawnbroker. A pawnbroker looks at the watch you wish \$10 on, sees that it is worth \$75, gives you the money and don't care if you ever come back. Our bankers at present in making collateral loans are working along the same plan.

"The new rule allowing loans on real estate is also a great change. At present real estate loans are not highly regarded by bankers. They are in Germany, in England and in France because of the banking system in use in those countries. The grave fault in this country has been in not placing a definite maturity to the mortgage. The result is that the holder of the mortgage has his money tied up indefinitely, while the mortgagee as long as he pays his interest seems to be in no particular hurry to pay up the loan. Mortgages must have a definite maturity to make them an investment to be sought by

banks. Bonds are bought every day by banks because they have a definite maturity.

"Another change from the old system will call for a better and more complete examination of banks than is in use at present. It is also hoped that this examination will be supplemented by the establishment of clearing house examinations in all large cities. This will result in a definite check on loans in a given locality, protecting the banks from loaning to someone who is already in debt to another bank up to the amount warranted by conservative banking."

Mr. Wolfe explained the new system, as far as it has been devised, of check collections through the federal reserve banks. The readjustment of exchange charges was also explained. The New Federal Reserve Currency—its use and elasticity as compared with the present currency backed by United States bonds—was then discussed informally, Mr. Wolfe answering questions asked by the chapter men.

On Thursday evening, December 10th, the first meeting of the public speaking class was held at the chapter rooms in the Marine National Bank building. Plans were discussed and it was decided to take up the study of Robert's Rules of Parliamentary Law. It is hoped that by the end of the year the class will be able to stage a debate on some topic of interest to all and that a regular debating team be formed at the beginning of the next year.

On January 24th Clay Herrick of Cleveland will address Buffalo's chapter on "Co-operation Between Bankers and Certified Public Accountants as to Borrowers' Statements." This topic is of special interest at this time, when the credit department of the banks will grow in importance in response to the demands of the reserve banks for credit information on paper they are rediscounting for member banks.

Our President, Harry G. Hoffman, has been working hard to make the program of this year one that will create and hold the interest of the chapter men. The interest being taken in the affairs of the chapter by the older bank men is good evidence that he is succeeding. Our program for the year has been well planned by Mr. Hoffman and our informal dinners and open meetings have been a distinct success. It is hoped that a large attendance will be on hand to hear Mr. Herrick.

The office of sergeant at arms has been created recently and A. Warren Anderson of the Marine National Bank was elected to fill that position for the remainder of the year.

CHICAGO.

By G. W. Cooke.

December proved a big month for Chicago Chapter, for during it the organization was incorporated under the laws of the State of Illinois and is now a legal entity. The official organization and membership is, of course, as before with the single exception that the Executive Committee has been transformed into a board of directors.

Prospects for a debate with Milwaukee Chapter seem bright. For years past this oratorical contest has been under consideration, but for one reason or another has not materialized during recent seasons.

Vigorous legislation against the sale of heroin, morphine and cocaine was recommended by Major M. L. C. Funkhouser, second deputy chief of police, at the chapter meeting, December 8th. Major Funkhouser said the sale of heroin is particularly reprehensible. "The use to-day by young men of heroin is appalling," he said. "And the user of heroin always wants company. A man will take morphine alone and the man who takes cocaine is not likely to force the habit upon another as is the man who uses heroin. The evidence against a druggist who sells it is hard to get. We have to see it sold and paid for, get it from the purchaser, and analyze it before there is a case against the druggist. The city should be given the power to close up a drug store which sells the drug and to keep it closed after the first conviction." Major Funkhouser asked the support of Chicago chapter in securing legislation making it a felony for a man to live off prostitution, the offence to be punishable by a sentence of from five to fifteen years in the penitentiary and to be unpardonable.

In line with Forum work, though not under the auspices of the chapter exclusively, John W. Gorby, president, has spoken a number of times during the current season. Topics, dates and places are as follows: "Co-operation," before the South End Business Men's Association, October 20th, 1914. "Banking," before the Lake High School, November 15th. "The Bankers' Responsibility," before LaSalle County Bankers' Federation at Ottawa, Ill., November 12th. "Does Banking Education Pay?" at Kankakee, Ill., to help organize a Correspondence Chapter of the Institute. Two patriotic addresses on Illinois Day, December 3d, at the J. Sterling Morton High School and before the Illinois Society, Sons of the American Revolution. "Banking," at the University of Chicago, December 17th.

CINCINNATI.

By Wm. Beiser.

Prof. Frederick C. Hicks, Dean of the Cincinnati College of Commerce and Finance, lectured before the Chapter on November 24th on "Present Economic Conditions." In making reference to the European war, the Professor referred to the fact that while temporarily we may seem as a nation to reap a profit because of the part cessation of industrial activity abroad and the new demands created by the war, we are certain to share in the future some burden of the great cost. The conclusion rests upon a sound economic theory which cannot be controverted. Pointing to the possibilities of the development of South American trade, the Professor referred to certain obstacles which might have to be overcome, and of the fact that we are a debtor nation because of the great need of capital for the development of our vast resources, and that we may not be in a position to finance South American trade because of her requirements for capital from creditor nations for the development of her resources. He referred to the Federal Reserve Act as having a great effect on "Present Economic Conditions." Reference was also made to his theory of the advisability of having a strong central institution. He referred to the change

in "Present Economic Conditions" because of a new standard of business. In his peroration he said that the American people have taken to themselves newer and higher standards of business which must eventually and materially greatly change economic conditions.

O. E. Larkby also addressed the meeting on an old subject from a new standpoint—"Credit from the Viewpoint of a Business Man." Mr. Larkby handled the subject in a capable manner and imparted much valuable information to his auditors respecting the approval of such credits for which application are usually made in business life.

On December 8th Charles W. Dupuis, cashier of the Second National Bank, delivered the second of his lectures upon the Federal Reserve Act. The usual large attendance was in evidence. Mr. Dupuis lectured on the Act from Section 9 to Section 12. He paid a high tribute to Paul M. Warburg of the Reserve Board when discussing Section 10, and gave many reasons as to why he was chosen notwithstanding the unusual prejudice which was created against him. He explained in detail the graduated tax imposed when the reserve of the Federal Reserve Banks fall below the required amount, and advised his auditors to make a study of the weekly reports and from them form conclusions as to banking conditions in this country.

O. Howard Wolfe, Assistant Educational Director of the Institute, addressed us on December 15th on "Transits Under the Federal Reserve Act." An informal dinner was tendered to Mr. Wolfe before the meeting at which forty of the old guard were in attendance. The Lecture Hall of the Sinton Hotel was filled to capacity. Mr. Wolfe referred to the three fundamental changes in the Federal Reserve Banks and spoke in detail of the note issues, the usefulness of a concentrated reserve and of the great safety valve of banking—rediscounts. He referred in a very interesting manner to a medium of exchange which heretofore was used to the extent of 95%—the check. It was a scientific note issue. Variations in the demand and supply for a medium by exchange had been shown in the past in the fluctuations in the volume of checks used. Fundamentally there is no difference between a deposit account at a bank which is used for the purpose of creating a medium of exchange and a note issue of a bank. With proper redemption facilities such a medium of exchange is based upon a scientific principle as the volume will increase and decrease with the demands of trade. Mr. Wolfe referred to a situation which is not frequently referred to in financial publications—the origin of New York as a reserve center and the subsequent development of other reserve cities. His reference to "Transits" was followed by a most interesting discussion in which prominent bankers took an active part. As a direct result of Mr. Wolfe's visit with us twelve new applications for membership were received.

COLUMBUS.

By Edwin Buchanan.

The third month of the existence of Columbus chapter has been marked by the same fine progress

which has characterized the movement thus far. Besides holding two successful open meetings, the educational work has been started on a substantial and enthusiastic basis.

Over 100 members are enrolled in the educational work, and the meetings have been largely attended, and we think the members generally have found them pleasurable and profitable. Gilbert L. Fuller of the brokerage firm of John H. Parsons & Co. has consented to take charge of the work. We feel very fortunate in being able to secure Mr. Fuller, as his qualifications are many. He is President of the Columbus Stock Exchange, a member of the bar, and a thorough student of banking generally. He will be assisted on various lesson evenings by assistants whom he will choose himself, with the advice and co-operation of the Board of Governors, the object being to secure for each evening some local authority in the branch of banking assigned for consideration that evening to lead the discussion after the first hour of class-room quiz and lecture. We hope to get good results from this method.

Of our two open meetings, the one in November was made noteworthy by the presence of D. C. Wills, the Federal Reserve Agent of the Cleveland District. Everyone was anxious to hear Mr. Wills, and learn at first hand some of the problems which are being met by the new regional banks. All present voted Mr. Wills a delightful exponent of his subject, and a man thoroughly grounded in his work.

At our December meeting the chapter members were granted the pleasure of meeting and hearing O. Howard Wolfe, Assistant Educational Director of the Institute, and doubtless familiar to all of the older chapters of our organization. Mr. Wolfe was an inspiration to everyone who had the pleasure of meeting him, and every member who heard his address is anxious to have him return and talk to us again.

DENVER.

By Marsdon E. Weston.

Denver chapter is now fairly humming with activity and there has scarcely been any let up for the holiday season. There never have been so many lines of influence at work as now.

The scope of educational work here has become so broad and extensive that increased systematizing has become necessary in order that each department may receive personal attention. The chapter organization here may be likened unto the organization of a large banking institution with every department in charge of trained experts who are concentrating with a view of bringing about perfection in their particular department.

The educational committee has announced the completion of arrangements for the post-graduate study class, which will hold its first meeting January 7th under the direction of G. A. Warfield, dean of the University of Denver School of Commerce, Accountancy and Finance. The course will consist of twelve lectures; the class fee will be \$5, and the enrollment thus far has been very satisfactory. The outline given at the Dallas convention will be fol-

lowed and the features will be Forum work and the study of the Federal Reserve System. It is believed that this will afford a splendid opportunity for chapter men to prepare themselves for the work suggested by the public affairs committee.

The first half of the law course has been completed, and the next series of lectures, beginning January 5th, will be devoted to the "Negotiable Instruments Law." So many have signified a desire to take this part of the course that the educational committee has decided to reopen registration in this class. The men who enter now will be given proper credit for the work done, which will apply toward a certificate should they decide to take the work which they have missed later on.

Denver chapter has recently adopted the plan of holding special meetings in the various bank offices at the close of the day's business. The purpose is to reach the men in the bank where the meeting is held, and the efforts of the chapter officers have been highly successful. They have secured a good many new members, and the bank officers where the meetings have been held have shown a disposition to offer their earnest co-operation. A meeting was recently held in the First National Bank, which employs about seventy-five persons, and practically every one of them was present. The meeting was addressed by Theodore G. Smith, vice-president of the International Trust Company of Denver, and Sever Daley, president of Denver chapter. A meeting was also held in the Denver National Bank which was addressed by Mr. Smith and F. N. Briggs president of the Interstate Trust Company of Denver. One banker who was present at this meeting remarked that there was a spark in nearly every bank man and if the Institute can fan that spark into a flame, it has accomplished a great good. Mr. Smith declared during his remarks that if the Denver bank men would show the proper interest in this educational work, he personally would request the Denver bankers to guarantee definite and permanent financial support.

The local chapter has already received considerable financial assistance from the banks, and has, in a measure, been self-supporting by means of benefit entertainments, but there seems to be a growing tendency here to eliminate the latter method. Denver bankers are showing marked loyalty to their men and to chapter work, and it is acknowledged by chapter leaders with full appreciation.

This chapter has been invited by B. F. Clark, president of the State Bank Section of the Colorado Bankers' Association, and also by the Colorado Division of the Greeters of America (a hotel men's association), to co-operate with these two organizations in formulating and urging legislation in this State on the "Short Check" abuse. The new Legislative Assembly will convene some time in January. President Daley has accordingly appointed a committee to represent Denver chapter, consisting of the following gentlemen: George T. Wells, Denver National Bank, Chairman; William O. Bird, Colorado National Bank; E. J. Schilling, German American Trust Company; and George H. King, Denver National Bank.

The last open meeting, held December 16th, was

one of the best, both from the standpoint of program and attendance, ever held here. Dr. Charles L. Mead, formerly of New York, and one of Denver's best known clergymen, was the speaker, his subject being "Truth and Trade." He analyzed the system of credit in general terms and proved conclusively to his audience that the great financial and credit system of this country would crumble instantly were square dealing and honesty of purpose eliminated. Mr. Miles, of St. Mark's Choir, entertained with a number of vocal selections. His clear musical tenor voice was thoroughly enjoyed, and he stirred the boys to tuneful expression when he came to the chorus of the popular "Tipperary." Benjamin Laska, a local attorney and amateur magician, entertained with several tricks with surprising cleverness.

I wonder whether the rank and file of chapter men read the Chaptergrams very carefully. Interchange of ideas is a very great factor in advancement, and I have personally learned that a chapter man, whether active or not, may read the Chaptergrams with great profit to himself personally and to his chapter as well if he is active. We noted several valuable ideas which were suggested from the various chapters last month. We were much interested in the Philadelphia plan to organize an advisory committee to be composed of past chapter officers and older chapter members who still demonstrate an interest in chapter work. We recognize an opportunity in this plan to retain the accumulated experience of past officers which may be applied to new problems, resulting in increased efficiency in administration. This plan will probably be adopted here, and if we succeed in securing definite financial assistance from the banks as above referred to, it has been suggested that we invite one or more of the senior bank officers to serve on the committee.

We were delighted to read of the fine honors which have come to Joseph A. Broderick of New York and Guy Shanks of Cleveland in the shape of appointments to important Federal Reserve Bank positions. A highly qualified person should not be barred from a big position because he is not an Institute member, but it is a significant fact that more big positions are being filled by A. I. B. men than by others, and it is because the Institute offers its members extraordinary opportunities for self-improvement.

Another idea which attracted our attention was Boston's plan of studying other lines of business by means of "field work." I suppose this is done with a view of effecting more scientific and satisfactory relations with bank and customer.

We are glad of the opportunity to read the addresses, or portions of same, which a number of the chapters published in their Chaptergrams last month. This method enables all of us to enjoy extraordinary addresses which otherwise would only benefit the limited number who were fortunate enough to hear them in person.

The entire membership of Denver chapter is extending its heartiest congratulations to George A. Brown, of Sweet, Causey, Foster & Co., who, on November 23d, was married to Miss Elizabeth Chase Sutton. Mr. Brown laid the cornerstone and a solid

foundation of Denver chapter, having been our first president, and was formerly a member of the Executive Council of the Institute.

HARTFORD.

By Calvin C. Bolles.

The men of Hartford chapter find themselves, as expected in this busy holiday season, swamped with work in their respective banks and can give but little of their time to chapter activities. For two weeks there are no dates, but as soon as the rush is over things will be humming once more.

The banking class draws a wonderfully fine crowd of fellows. Never has the chapter in Hartford come so near the high standard set by our Institute, and never have the fellows responded more nobly to our call to classes and socials. The administration is fighting hard to prove to the men that learning is power and that the best way and the most satisfying way to learn is to "follow the crowd" to the banking classes.

With the purchase of a complete set of post-graduate reference books, our post-graduate work took definite shape and at the time of this writing our Forum members are hard at work preparing for the January 22d meeting, at 8 p. m.

Chairman Lawson of the public speaking and debate committee reports that his class is making a fine start and a debate is planned for the next consul dinner. This is a comparatively new field for local Institute men, but the chance to learn to stand bravely on your feet before an audience is a fine one, and a great many should avail themselves of this splendid opportunity. Hand your name to W. F. Lawson at the First National and "get in the game."

On December 22d we held our eighth annual adding machine contest. Through the courtesy of D. M. Lane, the state distributing agent for the Burroughs Adding Machine Co., four finely tuned-up machines—two hand and two electric—were sent to the chapter rooms for the trials. The big prize of the evening was the handsome silver and bronze Burroughs Trophy Cup presented to our chapter last year. Raymond L. Buck won the first leg last winter, but the "dope" was completely upset when Edward R. Barlow ran through his pile of one hundred checks in 1.24½, on the electric machine, lowering Buck's time of last season and winning the cup for a year. If either Barlow or Buck come out on top next winter the cup will become their property.

The prizes were awarded as follows: Electric machine—First, E. R. Barlow, Fidelity Trust Co.; second, R. J. Porter, Conn. Tr. & Safe Dep. Co.; third, P. H. Southworth, State Bk. & Trust Co.

Hand Machine—First, Ray L. Buck, Conn. Tr. & Safe Dep. Co.; second, R. L. Gilnack, Fidelity Trust Co.; third, Wm. Jay Montgomery, Fidelity Trust Co. Earl C. Young had charge of the evening and great credit is due to him for the good time we all had.

President Kane has secured a fine speaker, a local man, for the January chapter.

Hartford chapter lost one of her most promising younger members when J. Norman Gray of the American Industrial Bank & Trust Co. died early in De-

cember. Mr. Gray was a young man who made friends easily and kept them always.

LOUISVILLE.

By John J. Wickstead.

"The Functions of Regional Reserve Banks" was the subject of a delightful talk by Henry D. Ormsby, Cashier of the National Bank of Kentucky and Treasurer of the Kentucky Bankers' Association, at the open meeting of Louisville chapter on December 22d.

Beginning with the financial and banking system of the country in its infancy, through the enactment of the first national bank act, explaining how panics and various other movements in the financial world caused bankers to realize the need of a more perfect monetary system, Mr. Ormsby traced the bank history of our country down to date. With a digest of the Reserve Bank Act before him, he explained in detail, so far as he could within the limited time at his disposal, the various departments and the functions of each.

Leon P. Lewis, our instructor, explained in a few words the progress made in the study of banking law during the past few months and stated that he believed our present system of class work would make this a highly successful year from an educational standpoint.

Following the speeches, all present, both bank officials and clerks, joined in a mental addition contest, which was won by H. L. Earley, of the Southern National Bank, with Wm. C. Borgerding, of the New Albany National Bank, a close second.

NEW ORLEANS.

By Raoul Prudhomme.

Friday December 18th, marked an epoch in the Chapter life of New Orleans. On that day the Chapter conducted the first debate held in a number of years, and from the large attendance of Chapter members, bank officials, and the general public we feel assured of the ultimate success of the new debating section of our chapter, especially so in view of the fact that it is being conducted under the able supervision of Nicholas Callan, attorney at law and coach of the debating society of Tulane University. The subject, "Resolved that it is to the best interests of Louisiana State banks to join the Federal Reserve System," was ably argued by the two teams, the affirmative being upheld by the Canal Bank & Trust Company team while the negative was represented by that of the Hibernia Bank & Trust Company. The latter team, after a very spirited debate, was awarded the decision. The speakers for the affirmative were E. A. Saucier, E. F. LeBreton and F. L. Ramos, with W. F. Mulledy as alternate, and for the negative J. H. Kepper, P. H. Wilkinson and John Dane, J. J. Farrell being the alternate. The debate was presided over by Rudolf S. Hecht, trust officer of the Hibernia Bank, and member of the Institute Executive Council, who, in a few well-chosen introductory remarks announced the subject of the debate and the names of the gentlemen who were to serve as judges, they being Messrs. Monte Lemann, D. D. Moore, Manager

of the "Times-Picayune" and Prof. W. B. Smith, of Tulane University. Prof. Morton Aldrich, dean of the Tulane College of Commerce and Business Administration, delivered a few remarks, giving a short resume of the history of the local chapter and praising the excellent educational work being carried on at present by the chapter. The debate was staged in the Assembly Hall of the Association of Commerce under the joint auspices of the New Orleans chapter and the Tulane College of Commerce.

NEW YORK.

By David M. Cross.

Just at this season of the year when joy and gladness dominate our personal spirits, New York chapter rejoices also, and looks with pride upon the splendid record it has achieved in its first half-year's work. The officers and committeemen have been untiring in their efforts to make the year 1914-1915 a signal success and what is better still, the young bank men enrolled in the classes have responded with a real enthusiasm and have put plenty of good honest thoughtful work into the preparation of their lessons. With the Christmas vacation ended, all the classes have now resumed their regular weekly sessions.

The chapter dance held at the Plaza on Thanksgiving Eve was entirely successful from every point of view. Members who were in attendance report "the best time ever," and our entertainment committee is indeed to be congratulated on having so carefully planned each detail.

The crowning social event of our whole year is now close at hand. It is our annual banquet. This is the one time in all the year when our full membership has an opportunity to get together. The banquet has always been a source of encouragement to our younger bank men. It is here that they meet and come in touch with the older chapter members, whose manifold duties prevent them from visiting the chapter rooms very often. And our older members are always glad when the time for the banquet arrives, for they certainly have one jolly time clapping old friends on the back and telling tales on one another. But aside from the pure pleasure of the evening, our speakers' committee has always secured men who are prominent in the affairs of the country and men who can deliver addresses mighty interesting and instructive. When a New York chapter banquet is over, everyone is refreshed by the spirit of good-fellowship that existed between all at the table and we go away glad to have been there and glad that we are members of the American Institute of Banking. We have been favored at our previous banquets with the presence of members of other chapters, both far and near. All institute men are always most cordially welcomed to partake of our evening's pleasure and we sincerely trust that many bank men from outside New York will find it convenient to be with us at our next feast.

The banquet this year will be held in the grand ballroom of the Hotel Biltmore, on the evening of Saturday, February thirteenth. The Biltmore is the city's newest and finest hotel and the hall which we

will occupy is free from pillars and over-hanging decorations so that the speakers can be seen and heard very comfortably from any corner of the room. Mr. Bull, the chairman of our speaker's committee, announces that he has secured the positive assurances of Prof. Jenks of New York University to address us, and that our good friend, William E. Knox, Comptroller of the Bowery Savings Bank, has also promised to speak. Two more prominent men are expected to deliver addresses, but we are not prepared to announce their names at the present time. In addition to the speaking we will be favored with a musical program of the very best. The price of tickets will be \$4 for each member and \$5 for guests. Requests for tickets should be made to bank consuls if possible or directly to the Chapter.

For the benefit of those members who find it difficult to secure the proper books for the preparation of their lessons, we would remind you that the New York public library maintains a traveling department. Through the co-operation of your bank, the books on the well-filled shelves of our public library may be loaned to you for a period of as long a time as four weeks. Ask our Librarian about it.

President O. Howard Wolfe completed on December 16th another of his lecture tours on "Changes Under the Federal Reserve Act." He addressed chapters of the Institute in Pittsburgh, Buffalo, Syracuse, Dayton, Cincinnati and Columbus, Ohio. While in Syracuse Mr. Wolfe also addressed the Syracuse University class in Economics.

In speaking of the Federal Reserve Act in his lectures, Mr. Wolfe stated that "One of the things which the new Federal Reserve Act will effect is a system of better banking. The banker will look not only to the value of the security but he will look closely to the purpose of the loan. He will become a scientifically trained banker."

At a recent meeting of the New York State Safe Deposit Association, Fred W. Ellsworth, Publicity Manager of the Guaranty Trust Company, addressed the members on "Getting Business by Advertising."

W. H. Kniffin, Jr., chairman of the public affairs committee, has issued a call for lecturers. This division of our work promises to be of great importance to the citizens of Greater New York. Lectures on various assigned subjects will be delivered by members of the Chapter adapted to such work before students of our high schools.

The Forum under the leadership of Mr. McWilliam is progressing rapidly. On Wednesday evening, December 2d, President Wolfe addressed the meeting on the "Collection Features of the Federal Reserve Act" and on Wednesday evening, December 16th, Edmund D. Fisher, Deputy Comptroller of the City of New York, addressed the meeting on "Note Issues Under the Federal Reserve Act." A number of prominent bank officials have been present and taken part.

Victor A. Lersner, president of the chapter during the year 1911-12, and formerly assistant cashier of the Williamsburgh Savings Bank, is now comptroller of that institution.

H. R. Kinsey, formerly 2nd assistant cashier of the Williamsburgh Savings Bank, is now first assistant cashier of that institution.

R. G. Peace, formerly of the Seaboard National Bank, and one of New York Chapter's prominent members, has accepted the position of Credit Officer of the Franklin Trust Company.

A. T. Wolfe, another of our well-known members, is now in charge of the discount department of the Federal Reserve Bank of San Francisco.

The resignation of Raymond B. Cox from membership on the Board of Governors, after having been laid on the table for several meetings, was accepted with regret at the last meeting of that Board held on December 8th. Mr. Cox, who was formerly President of the American Institute of Banking, is now Vice-President of the Webster & Atlas National Bank of Boston, Mass.

J. M. Lotsch, Chairman of the Resolutions committee of the debate section, is chairman of the High School Grade Committee of the Association of Alumni of the Evening High Schools of Greater New York.

Through the efforts of our membership committee, it will be possible for all our members to secure the regulation chapter pin, gold plated, at a remarkably low price, provided one thousand pins are ordered. Every man who does not now possess the chapter pin should place his order for one, with his consul, immediately. The committee guarantees the pin will look exactly like the standard gold pin and not like the price at which they offer it—thirty cents.

PHILADELPHIA.

By David Craig.

The busiest year in the history of the Philadelphia chapter is now at its height. Activities of interest to the more than one thousand members are being conducted. These comprise the "Banking and Finance" course, "Trust Company" class, "Special Course in Negotiable Instruments," "Debating and Public Speaking," "Post-Graduate Forum," "Members' Night Meetings," and regular monthly chapter meetings.

The work in the study classes is continuing along the lines set forth in the November BULLETIN. Graduates are busying themselves in the forum with the study of the Federal Reserve System, while the regular monthly meetings for December and January are devoted to discussions on this same subject. The meeting December 4th was addressed by Thomas Conway, Ph.D., professor of finance at the U. of P., who discussed "Some Phases of the Federal Reserve Act," and Arthur H. Titus, Assistant Cashier of the National City Bank, New York, who talked of the establishment of foreign branches of national banks under the new Act.

A development of special interest is the plan adopted by the Public Speaking class. Sessions of this class are being held in the shape of informal dinners once each week at which every member, after the "banquet," is called upon for a five-minute after-dinner speech. The plan makes the work realistic and of increased interest to the students. By the end of the season Philadelphia chapter should have a long list of trained speakers for use in its public affairs work.

The committee in charge of the chapter's public educational campaign has been encouraged by the co-operation of the older members, many of whom have accepted assignments for public addresses. A partial list of the topics and speakers for this work is as follows: "Why National and State Banks Are Necessary," Antrim H. Jones; "What Savings Banks Are For and How They Are Operated," William A. Nickert; "Savings Associations, Postal and Building and Loan," John C. Knox; "The 'Earmarks' of a 'Wildcat' Scheme," Freas Brown Snyder; "The Loan Shark Evil," Edmund Williams; "The Trust Company Not a 'Trust.' What It Is," M. E. Benton; "The Federal Reserve Act," W. W. Allen. Engagements are now being booked for these lecturers and we are anticipating that we will at least in this, the first year of the work, lay the foundation for a wide and influential propaganda for public instruction.

On December 11th the second annual chapter entertainment and dance was held in the ballroom of the new Manufacturers' Club. The affair eclipsed any previous function of similar character in entertainment and sociability, and will remain a permanent feature of future chapter activities.

Friends of Harry J. Haas will be interested to learn that he has joined the benedicts.

E. T. Stotesbury Lewis, heretofore Assistant Cashier of the Farmers & Mechanics National Bank, and for many years a member of the Philadelphia chapter, has been elevated to the cashiership. We are pleased to note the continued recognition of Institute talent, and offer our sincere congratulations to Mr. Lewis.

Another chapter member has been highly honored in the past month in the person of Frank M. Hardt, formerly Assistant Cashier of the National Bank of Northern Liberties. Mr. Hardt has been elected Cashier of the Federal Reserve Bank of the Third District. We wish for him abundant success in his new field.

PITTSBURGH.

By W. A. Korb.

The regular monthly open meeting of Pittsburgh chapter was held in the chapter rooms on December 1st, when we had for our speaker O. Howard Wolfe, President of New York chapter and Secretary of the Clearing House Section of the A. B. A., who spoke on the subject, "Exchanges and Transits Under the New Federal Reserve Act." Although Mr. Wolfe modestly declined to be considered an authority on the subject, he gave us the clearest, most entertaining and most instructive talk it was possible for anyone to give. If anyone knows the transit problem thoroughly it is Mr. Wolfe, and more than that, he knows how to tell others about it. He outlined in general his idea of the transit system of the Federal Reserve Banks, and how he expects it to be gradually introduced.

An informal dinner was held in honor of Mr. Wolfe at the Fort Pitt Hotel at 6:15, when he had a chance to greet many of his old friends and a host of new ones. After Mr. Wolfe's address he threw the subject open to discussion and expressed his

willingness to answer any questions. His invitation was readily accepted by many of the men and a lively discussion followed. The meeting was one of the best Pittsburgh chapter has had and we are deeply indebted to Mr. Wolfe for the time and trouble he has taken to come to our city and address our chapter.

The educational classes are well attended. The Practical Accounting course seems to have taken quite a hold on the class. The boys are very enthusiastic over it and are learning a great deal that will be of inestimable value to them in their everyday work. The "Commercial and Banking Law" class has just finished the first lap of their course. On December 8th they concluded their study on the "Laws of Contracts" and prepared to take up "Negotiable Instruments." Books were distributed and lessons assigned by Mr. Duff, of the University of Pittsburgh, who is conducting the class. The study of the "Law of Contracts" proved quite interesting, but the "Negotiable Instruments" course promises to completely eclipse it. The first lesson on this course was had on December 15th, when "Requisites of a Negotiable Instrument" was discussed.

Pittsburgh chapter has taken up the Public Affairs movement. A committee has been appointed, whose duty it will be to provide speakers on banking subjects for literary, social, Christian, educational and various other associations in our community. Our chapter has an abundance of material to pick from for this particular line of work, and although no program has yet been arranged, we feel safe in predicting very satisfactory results both to the chapter and the general public.

The first issue of "Chapter Clearings," our local bulletin, was published last month. This issue continues to uphold the splendid reputation heretofore made by this publication. It abounds in bright and snappy bits of news and items of interest locally. Our members always look forward to the issue of "Chapter Clearings" with much interest.

The Ways and Means committee is busy planning special meetings for the near future. Among the features under consideration is an "Old Home Night" and a "Ladies' Night."

ROCHESTER.

By Frederick D. Whitney.

The members of Rochester chapter are displaying a great amount of interest this year in the program as outlined by the educational committee. Our "Banking and Finance" class has an enrollment of over seventy members, and with the exception of the last two meetings we have had an average attendance of about sixty. This showing has been due to the untiring efforts of the educational and membership committees. We are taking up the subject now of "Money and Currency." Prof. Meyer Jacobstein, of the University of Rochester, has charge of this class, and with the interest displayed by the members we should have no difficulty in graduating most of the class at the end of the season.

While Rochester is known as the "Flower City" and the city of homes and churches, we are also blessed as a manufacturing city of varied industries.

We have some of the largest plants of their kind in the world, and it was with that idea, and also the fact that those of us that live nearest a place of interest or amusement know the least of it, that started the officers on working out a plan whereby the men of the banks could learn more of the institutions that are vital to their own profession. The second of the visits was to the plant of the F. E. Reed Glass Company on Saturday afternoon, December 19th. It covers a space of eight acres and has about three hundred and fifty men in its employ. Its sole product is glass bottles. We were taken from the great storerooms where the various kinds of sand and the component parts that make up the mixture that is put into a bottle, all through the entire plant, showing the great furnaces, the glass-blowing both by men and by the means of compressed air, to the shipping room where the bottles have been inspected and ready for shipment. These trips are proving very interesting and instructive.

O. Howard Wolfe stopped over for a few hours on December 9th on his way to Syracuse to see the boys and had a few words to say to the members of the "Banking and Finance" class.

SACRAMENTO.

By C. W. Lauppe.

One of the latest branches of work established in the Sacramento chapter is the debating section, which is under the direction of the educational committee. The class is conducted by Stephen S. Otis, a local attorney, and we now have about twenty very enthusiastic members. Meetings are held twice a month, and we have dreams of presenting some brilliant orators in the near future.

Our membership now numbers 118, of which the greater portion are energetic chapter-men and looking forward to our annual excursion to the Snowfields at Truckee, on January 30th. We will probably have a train of ten cars, for every one who made the trip last year is anxious to get on the list for another. We expect to have members from the Oakland and San Francisco chapters with us.

ST. PAUL.

By W. J. Stutzman.

St. Paul chapter held its third and most successful dinner meeting on December 1st. We were fortunate in having with us W. H. Oppenheimer, who addressed the association on the "Minimum Wage Law." He traced its origin and failure as a law in the early days and its probable effects on present-day conditions. His subject was very interesting from an economic standpoint and was well handled, correcting the general impression of its being one of just dollars and cents.

A pleasant and unexpected surprise was a thirty-minute humorous gridiron talk by H. W. Parker, cashier of the Merchants National Bank. After diplomatically telling the boys what he thought of them, he spoke seriously on "The Relation of the Bank Officer to the Bank Clerk."

January will find our activities extending in many directions. On the twelfth we hold our fourth dinner meeting. On the fifteenth the boys will relax a little from their educational duties and entertain their wives and sweethearts on the occasion of our sixth annual ball. Later in the month we will try to trim our Minneapolis neighbors in a series of bowling matches. Our bowling league is a wonderful medium in bringing about a better acquaintance among our members. Everyone knows his neighbor this year.

Our classes are doing nicely, thanks to the able manner in which they are conducted. The attendance is good and the boys seem to be taking a better hold this year than ever before.

SAN FRANCISCO.

By W. F. Gabriel.

The most important of the chapter activities during the past month has been the renewal of the class in public speaking. Fourteen of the men most active in chapter affairs have joined the class, which is being conducted by Professor Sweet of the University of California. It is the strong desire of those interested to follow along the lines suggested by the Committee on Public Affairs, and San Francisco feels confident that it will not be long before she will be proud of her members addressing public gatherings on such important topics as thrift, credit and the Federal Reserve Act.

Our members are all looking forward to a very interesting lecture in January to open the new year. Paul A. Sinsheimer, bond expert of the State Railroad Commission, has promised to address us on his favorite subject, "Standard Tests of Public Utility Bonds." His thorough acquaintance with this subject promises a lecture none can afford to miss.

On February 20th, 1915, the gates of the Panama-Pacific International Exposition will be thrown open to the world. To-day finds the exposition over 98 per cent. completed, and with the work of installation of exhibits from the forty-two participating foreign nations and the forty-three states and territories so well advanced in every one of the huge exhibit palaces and in most of the state and foreign buildings as to make it certain that this exposition will break all records in the matter of completeness and readiness. It is the first one to be ready ahead of the opening day.

Not one of the foreign nations has withdrawn from participation. On the contrary, despite the war—and in some because of it—five foreign countries have made increased appropriations and have asked for additional exhibit space. More states and foreign nations are taking part than ever were represented at an international exposition anywhere, and in the matter of completeness and value of their exhibits, many of these countries are breaking all records. Already exhibits have arrived or are on their way from over twenty nations, including all but two of the nations now at war in Europe.

That the great exposition already offers attrac-

tions wellnigh equal to those of other world's fairs after they were running full blast is indicated by the enormous pre-exposition attendance, 294,000 visitors having been in attendance within the gates of the Panama-Pacific International Exposition during the month of November. This not only is a world record for pre-exposition activities, but surpasses the attendance at some of the big fairs after the official opening. And indications make it certain that the attendance next year will be greatly increased because of the European war.

SEATTLE.

By Lester R. McCash.

The regular monthly meeting of the Seattle chapter was held Tuesday evening, December 15th. The evening was devoted to entertainment principally. Several piano solos and songs were rendered by different bank boys and two live boxing matches were pulled off. The main event was staged by Al Lewis of the Seattle National Bank and Victor Dalton of the Scandinavian-American. Pat Haven, the referee, declared the contest a draw.

The educational work is progressing very nicely. The law class numbers over a hundred students, and much good is being accomplished.

One of the most important features of the educational work is the organization of a public speaking class. Carl Croson, a practicing attorney of this city, and former instructor in public speaking at Harvard, has the class in charge. The class numbers sixteen, five of whom are bank officials, and meets every Wednesday evening in the chapter club rooms.

All the Seattle banks remembered their employees at Christmas. Some of the presents were very substantial, ranging from one-fourth to a month's salary.

SPOKANE.

By J. C. Alston.

Spokane Chapter is making excellent progress in the Banking Course. We have just finished the pamphlet on "Wealth and Banking" and will begin the New Year with "Bank Accounting." December 9th J. W. Bradley gave an interesting lecture on "Modern American Banking." Mr. Bradley in his talk traced the banking history of the country from Colonial times and, after pointing out the special events in that history which have had a marked influence on our financial legislation, closed his address with the following remarks:

"The Democratic administration coming into power worked out the present Federal Reserve Law which contains many features of the Aldrich plan, somewhat modified and in some instances improved upon. This new banking law is not, however, the achievement of any one man or set of men but the product of constructive statesmanship, the best banking thought in America and the experiences of the

past. I do believe, however, that more credit is due to one man than to any other for clarifying the public mind on many of the obscure points of modern finance, for clearly analyzing the defects in our old system and for bringing a knowledge of the soundest and most efficient banking methods of Europe to the framers of our law. I believe that Paul M. Warburg is the Alexander Hamilton of our times and that contemporary history will so recognize him. It is gratifying to know that men of his calibre constitute the Federal Reserve Board. Politicians have had their part in framing the bill and naming the board. Concessions and compromises have had to be made on this account but sound judgment and right financial principles have for the most part prevailed. Politics alone has lost its controlling influence in monetary affairs. It is the most encouraging sign of the times that the American people seem to have learned the great lesson that Politics and Finance are separate and distinct and cannot be indiscriminately mixed. Finance is a science, accurate and exact. To master its principles requires years of training and experience. Banking systems and Government finances cannot longer be solely the work of bungling politicians.

"Besides the high standing of the members of the Federal Reserve Board we learn that the personnel of the regional banks is for the most part made up of financial and banking experts. Great things are hoped for under the new system. With a central authority and the discount market which it controls we hope to feel the advantages enjoyed under the Bank of England or the other central reserve banks of Europe and at the same time avoid some of the disadvantages. We hope to again feel the advantages of the old United States Banks, but in the light of experience to avoid their defects. We hope that we have saved what was best under the National Bank Act and we hope that in many other ways we have profited by experience in the formulating of this new banking plan. But it is after all only a human institution and we cannot expect it to be perfect, especially at the beginning of its career. Weaknesses will develop from time to time which will have to be strengthened, adjustments will have to be made. Much depends upon the wisdom of the Federal Reserve Board, much upon the Reserve Banks, the member banks and upon the whole business community. It is, however, the hope of all that we will build up in this country the greatest and most efficient banking system in the world. Wholehearted co-operation is needed. History is in the making and it is up to us here to familiarize ourselves with the experiences of the past in order that we may better understand present conditions and be prepared to give some intelligent assistance or play some small part at least in the great work of the future."

UTICA.

By Frank P. McGinty.

The promise of our opening meeting has been fulfilled in a way that we all hoped for. Through the efforts of our Membership Committee the membership of the chapter has increased more than fifty per cent. over our membership at the close of last year, while the average attendance of our study meetings is seventy, against an average of thirty-five during the same period last year.

As arranged, Professor Walker, of Syracuse University, to whose able instruction no small part of the excellent attendance at meetings is due, has delivered four addresses. The first, October 27th, being "An Agreement Between the Parties"; the second, November 5th, "How the Contract is Made"; the third, November 10th, on "The Consideration," and the fourth, November 17th, "The Form of the Contract."

The meeting of November 17th had been designated "Officers' Night," the officials of the various banks having been invited to be present. Those officers who responded to our invitations expressed themselves as being delighted with the progress of the chapter and in sympathy with our purposes.

Our class in public speaking is meeting regularly under the direction of Professor Hammond, of the Utica Free Academy, and according to all reports making good headway.

On November 24th we held our first "Open Meeting and Smoker." There were over seventy men present who listened to an excellent paper on "Bonds," by Morgan B. Garlock of this city. His paper was one which showed a thorough understanding of the subject, one which described that form of security in a clear and concise manner.

December 1st our class listened to a very able lecture on the "Legality of the Agreement." On December 8th the subject of the lecture was "The Construction of the Contract."

The meeting of December 15th was the last of the year, it being our custom to dispense with chapter meetings during the holidays.

The half year just closed has undoubtedly been the most successful period the chapter has yet enjoyed. Looking forward to 1915, and considering our program for that year, we feel reasonably sure that the good work started this year will be continued next.

At our opening meeting, January 12, 1915, our annual chapter debate will take place. The question, "Resolved, that the notes issued under the Federal Reserve Act will result in inflation of the Currency," is one in which we are all interested, and in view of the manner in which the members of the teams are preparing, we are safe in promising a fine debate for that evening.

